



Daily Report

China

FBIS-CHI-88-119

Tuesday

21 June 1988

Daily Report

China

FBIS-CHI-88-119

CONTENTS

21 June 1988

INTERNATIONAL AFFAIRS

General

Yang Shangkun Announces New Ambassadors	1
World Bank Supports Fertilizer Industry	1
Joint Venture To Build Beihai Steel Mill <i>[Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 20 Jun]</i>	1
Reportage on Toronto Economic Summit	2
Sihanouk Sends Letter on Cambodia	2
Summit Urges SRV Withdrawal	2
East-West Relations Discussed	3
New Debt Relief Strategy	3
'Roundup' on UN Disarmament Session <i>[RENMIN RIBAO 16 Jun]</i>	4
UN Envoy Endeavors To Set Up Afghan Government	5
U.S., Iran Hold 'Secret Proximity Talks'	5

United States & Canada

Joint Trade, Economic Development Session Begins	6
Largest Joint Session Opens	6
Tian Jiyun Opens Session	6
Symposium Draws Large Turnout	6
Coastal Development Stressed	7
Gao Shanquan Gives Speech	7
Zhu Rongji Addresses Session	8
Tian Jiyun Meets U.S. Group	8
Tian Jiyun Opens Exhibition	9
Official Writes on Sino-U.S. Trade Expansion	9
Wan Li Meets With Foreign Bridge Players	9
NPC Vice Chairman Meets U.S. Professor	10
XINHUA Analyzes Reagan's 'Free Trade' Tactics	10
RENMIN RIBAO on Reagan's Toronto Trip <i>[20 Jun]</i>	11
Canada Offers Financial Aid To Study Project	12

Soviet Union

Sino-USSR Normalization Talks Continue, End	12
Tian Meets Shevardnadze	12
News 'Communique' Issued	12
Consultations End	12
Joint Shipping Venture With USSR, Japan To Open	13
Zhu Xuefan Attends Soviet Artists Performance	13
Soviet Republic Opposes Transfer of Region	13
PRAVDA Cited on Lack of Afghan Peace	13

Northeast Asia

Li Ruihuan Meets With DPRK's Kim Il-song <i>[RENMIN RIBAO 17 Jun]</i>	14
Kim Il-song Hosts Luncheon	14
Wu Xueqian Meets Japanese Delegation	14
Japanese Funds Finance Plant Construction	15
Japanese Official To Observe Soviet Afghan Pullout	15
South Korean Debate on Reunification Set	15

Southeast Asia & Pacific

Wu Xueqian Urges Vietnam To Hold Talks on Cambodia	15
Sihanouk To Participate in Talks on Cambodia	16
Meets Li Peng	16
Beijing Reports on Thai-Vietnamese Talks	17
Fail To Agree on Pullout	17
Hun Sen Statement on Cambodian Conflict	17
Wu Xueqian, Filipino Group Discuss Cambodia	18
Salonga, Philippine Delegation Continue Visit	18
Interview Before Visit	18
Meet With Li Peng	18
Australian Foreign Minister Meets Zhang Wenjin	19
Australian Satellite System To Launch Satellites	19
Beijing To Hold Trade Fair in Singapore	19
Drama Group To Perform at Singapore Art Festival	20

Near East & South Asia

Spokesman Denies Missile Sale to Syria /AFP/	20
Hu Qili Praises Moroccan Party's Efforts	20
Soviets Intensify Attacks on Afghan Resistance	20
'Roundup' on Soviet Withdrawal From Afghanistan /RENMIN RIBAO 16 Jun/	21

Sub-Saharan Africa

Li Peng Hosts, Meets With Ethiopia's Mengistu	22
Yang Shangkun Absent; 'Not Well'	22
Discusses 'Friendly Relations'	22
Hosts Welcoming Banquet	22
Holds Further Talks	23
Defense Minister Hosts Zambian Military Group	24
CPC's Hu Qili Briefs Zairian Delegation	24
'Jottings' on RSA's Extended Emergency State /RENMIN RIBAO 14 Jun/	24

West Europe

Culture Minister on 'Friendly Mission' to UK	24
Shanghai Orders Swedish Telephone System	25

East Europe

Polish Communique on Messner's Visit Cited	25
--	----

Latin America & Caribbean

Beijing Symposium Focuses on Latin America	25
--	----

NATIONAL AFFAIRS

'No Plans' To Devalue Currency	27
CPC Central Committee Approves Cadre Evaluation	27
Article Reviews Deng Xiaoping's Status /LILUN YUEKAN 25 May/	28
Zhao Ziyang Visits Shanxi, Urges Greater Reform	29
Article Reviews Zhao Meeting With Peasant /LIAOWANG 30 May/	30
Li Peng Inspects Shandong County	33
Noncommunist Party Adopts Political Program	34
CPC Central Committee Greetings	35
CPPCC Religious Affairs Committee Meets	36
Increase in Crime Said Result of Social Changes /CHINA DAILY 21 Jun/	36
Commentator Urges Elimination of Corruption /LIAOWANG 30 May/	37

Commentator Discusses Productive Forces Criterion /BAN YUE TAN 25 May	38
Nationwide Birth Control Survey Slated for 1 Jul /CHINA DAILY 21 Jun	39
Baby Boomers Pose Strain on Family Planning	40
Government To Offer Jobs to All College Graduates	40
Secondary School Report Reveals Pressures	40
First Test Flight Hero Named, Awarded Medal	41
PLA To Adjust Ranks for Noncombat Officers	41
Li Tieying Visits PLA Medical University	42
More Exploitable Oil Fields in Zhujiang Estuary	42
Urban Bank Savings Decrease by 2.3 Billion Yuan /JINGJI RIBAO 2 Jun	42
Steel Production Up in First 5 Months	43
Current National Economic Imbalance Discussed /Hong Kong LIAOWANG OVERSEAS EDITION 6 Jun	43
Improvement in Enterprise Management Urged	44
State Enterprise Leasing Regulations Issued	45
Joint Ventures Maintain Foreign Currency Balances	49
Economists Restudy Contemporary Capitalism	49
Paper Views New Social Insurance System /JINGJI RIBAO 3 Jun	50

REGIONAL AFFAIRS

East Region

Anhui Introduces County-Level Financial Contracts	53
Guangdong Firms Run by U.S. Investors Profitable	53
Shandong, Liaoning To Cooperate in Development /DAZHONG RIBAO 5 Jun	53

Central-South Region

Guangdong Capital Benefits From Joint Ventures	54
Guangzhou People's Congress Opens 20 Jun	55
Shenzhen To Build 8 Telecommunication Projects	55
Zhuhai SEZ Increases Industrial, Farm Output	55
Henan Sets Up Central China International Company	56
Hunan Reports Problems in Coal Industry	56

Southwest Region

Sichuan Identifies Major Foreign Investment Areas	56
Sichuan Sets Up Publishing Industry Trading Firm	57
Tibet Builds First Meat-Processing Centers	57

North Region

Hebei To Expand Foreign Cooperation	57
Hebei's Xing Chongzhi Visits Army Unit 5 Jun /HEBEI RIBAO 6 Jun	57
Inner Mongolia Court Work Report Delivered /NEIMENGGU RIBAO 30 May	58
Inner Mongolia Congress on Procuratorial Work	59

Northeast Region

Heilongjiang KMT Committee Meeting Ends	60
Jilin Establishes Qianguo-Fuyu Economic Zone	60

Northwest Region

600 Uygurs Demonstrate in Xinjiang Capital /AFP/	61
Xinjiang Meeting Airs Problems in Science Work	61

PRC MEDIA ON TAIWAN AFFAIRS

Journal Examines Farmers' Protest Issue	<i>[Hong Kong LIAOWANG OVERSEAS EDITION 6 Jun]</i>	62
LIAOWANG Urges Establishing Trade Relations	<i>[Hong Kong OVERSEAS EDITION 6 Jun]</i>	63
Kuomintang's Political Innovations Viewed	<i>[Hong Kong LIAOWANG OVERSEAS EDITION 30 May]</i>	66
Li Teng-hui Cited on Security, Unification	69
Philippines Declines Computers From Taiwan	69

HONG KONG & MACAO

Hong Kong

Director Ji Pengfei Discusses Recent Visit	<i>[RENMIN RIBAO 16 Jun]</i>	70
UN Commission Criticized Over SRV Refugees	<i>[SOUTH CHINA MORNING POST 20 Jun]</i>	71
UK Secretary Says Hong Kong Market Important	<i>[XINHUA]</i>	72
1987 Local Exports to Spain Increases 24 Percent	<i>[XINHUA]</i>	72
Trade Increase With Australia, New Zealand Urged	<i>[XINHUA]</i>	72
Talks Continue on Mainland Truck Transit	<i>[XINHUA]</i>	73
Local Firm Oxfam To Fund SRV Drought Programs	73
<i>[SOUTH CHINA MORNING POST 20 Jun]</i>	73

Macao

Governor Melancia Reportedly To Resign	<i>[HONGKONG STANDARD 21 Jun]</i>	74
Under Secretary's Resignation Accepted in Lisbon	<i>[HONGKONG STANDARD 18 Jun]</i>	75

General

Yang Shangkun Announces New Ambassadors
OW2006210988 Beijing XINHUA Domestic Service
in Chinese 1340 GMT 20 Jun 88

[Text] Beijing, 20 Jun (XINHUA)—On the basis of a decision by the NPC Standing Committee, PRC President Yang Shangkun has appointed and dismissed the following Chinese ambassadors to foreign countries:

1. Wang Yingfan [3769 5391 5400] has been appointed PRC ambassador extraordinary and plenipotentiary to the Republic of the Philippines.

Chen Songlu has been relieved from his post as PRC ambassador extraordinary and plenipotentiary to the Republic of the Philippines.

2. Zheng Jianying [6774 0494 5391] has been appointed PRC ambassador extraordinary and plenipotentiary to the Republic of Iraq.

Zhang Junhua has been relieved from his post as PRC ambassador extraordinary and plenipotentiary to the Republic of Iraq.

3. Chen Songlu has been appointed PRC ambassador extraordinary and plenipotentiary to the People's Republic of Bangladesh.

4. Shen Lianrui [3947 6647 3843] has been appointed PRC ambassador extraordinary and plenipotentiary to the Republic of Cameroon.

5. Song Guoqing [1345 0948 3237] has been appointed PRC ambassador extraordinary and plenipotentiary to the Republic of Zimbabwe.

6. Chen Dongsheng [7115 2639 5116] has been appointed PRC ambassador extraordinary and plenipotentiary to the Republic of Bolivia.

7. Yuan Tao has been appointed PRC ambassador extraordinary and plenipotentiary to Spain.

8. Hu Gang has been relieved from his post as PRC ambassador extraordinary and plenipotentiary to Malaysia.

World Bank Supports Fertilizer Industry
OW1906040088 Beijing XINHUA in English
0002 GMT 19 Jun 88

[Text] Washington, June 18 (XINHUA)—The World Bank announced Friday that it had approved a 62.7 million U.S. dollar loan in support of a project designed to develop China's phosphate fertilizer industry.

The 221.8 million dollar project will help China take advantage of a new technology that can efficiently transform rocks found in Guizhou Province into high-grade phosphate-based fertilizers.

The project includes measures to develop a phosphate mine at Wengfu that will produce 2.5 million tons of ore a year. Ore-processing facilities will be constructed at the mine site.

Even though China is the world's third largest producer of chemical fertilizers, it is still dependent upon fertilizer imports to meet the needs of farmers who are trying to expand food production.

Joint Venture To Build Beihai Steel Mill

HK2006075988 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 20 Jun 88 p 4

[By Cheung Lai-kuen]

[Text] A Hong Kong, Australian and German syndicate, Counting Industries, is planning to build a U.S.\$700 million steel mill in Beihai.

The syndicate has filed a letter of intent on the joint venture with the Beihai Municipal Government of the Huang Autonomous Region.

China Trade Omni Development Centre is the Hong Kong partner in the syndicate, according to Tony Fung, its managing director. Mr Fung did not reveal the names of the other companies involved.

The proportion in the joint venture is 6 to 1, meaning that the foreign partners will supply \$600 million and Chinese concerns will come up with the other \$100 million.

The Beihai project includes seven individual factories in a site of about eight square kilometres. It has a maximum planned production of 1.2 million tonnes annually, far bigger than any mill currently in operation in China.

The equipment was ordered from Germany in 1986 and is expected to be finished this year. Shipment to China will start by the end of this year.

German manufacturers will provide the technology transfer but the installation will be done by the Industrial Installation Mounting Company of Guangdong province.

The company's manager, Wang Han-jun, said installation would take more than one year due to the size of the project. He said thousands of workers would be involved.

The factory will be built under the auspices of the Beihai municipal authority. Construction will start early next year and will take more than a year to finish.

Mr Fung expects production to start in 1991. He said that in the first year 700,000 tonnes would be produced and this would increase to one million tonnes two years later.

Raw materials such as coal and iron ore will be imported from Australia.

About one-third of steel products from the new mill would be sold in China and the rest would be exported, said Mr Fung.

According to a feasibility study, the yearly demand of steel in China is more than 20 million tonnes annually but production within the country can only meet half that demand.

Mr Fung said that if the Beihai project went well, the syndicate would buy second hand equipment and set up another mill in Shandong province.

In addition, a second phase at Beihai would be considered.

"The capital arrangement for funding the project consists of \$400 million borrowed from banks of which is hoped the China Government will guarantee \$200 million and the enterprise will guarantee \$20 million," said Mr Fung.

He said Beihai Steel Mill would arrange the remaining \$300 million, of which 500 million yuan (about HK\$1.05 billion) would be raised through bonds. The bond issue would be used to pay for actual construction and after five years of operation the mill would start to repay it with steel products.

Reportage on Toronto Economic Summit

Sihanouk Sends Letter on Cambodia
OW2006085488 Beijing XINHUA in English
0925 GMT 20 Jun 88

[Text] Toronto, June 20 (XINHUA)—Samdech Norodom Sihanouk sent a letter to the summit of the seven industrialized nations, calling for an early withdrawal of Vietnamese troops from Kampuchea and a "feasible" peaceful means to stop assistance to Vietnam's economy.

According to a Japanese official, Prime Minister Noboru Takeshita mentioned the letter Sunday at a working dinner to the other leaders of the 14th Western economic summit.

In his letter, according to the Japanese Foreign Ministry official, Sihanouk backs proposals that might contribute to the independence of Kampuchea.

The Japanese official said Sihanouk believed in the letter that free election for Kampuchean self-determination is not feasible at the moment.

The Toronto summit meeting is attended by leaders from the United States, Canada, Britain, France, Japan, Federal Germany and Italy.

When asked whether Japan will send troops for international peace-keeping purposes, the Japanese official said his country cannot send a soldier abroad but will contribute financially.

Summit Urges SRV Withdrawal
OW2106064088 Beijing XINHUA in English
0004 GMT 21 Jun 88

[Text] Toronto, June 20 (XINHUA)—The leaders of seven Western industrialized nations attending the economic summit today called for the Vietnamese troop withdrawal from Kampuchea and an early settlement of Arab-Israel conflicts.

In his remarks made after announcing the issue of the political declaration of the Group-Seven—the United States, Britain, France, Italy, Federal Germany, Canada and Japan—Canadian Foreign Minister Joe Clark said the leaders expressed deep concern over the suffering of the Kampuchean people.

"We join the vast majority of the world to call for the prompt withdrawal of all Vietnamese troops," he said, adding: "We support a political settlement in Cambodia which would provide for Cambodian self-determination and lead to the reemergence of a free and independent Cambodia."

On the Middle East issue, Clark said the leaders believe the current violence in the occupied Arab territories is a "clear sign that the status quo is not sustainable."

"An early-negotiated settlement to the underlying Arab-Israeli dispute is essential," he added, saying the leaders support the current efforts aimed at achieving the settlement of the Arab-Israeli conflict, especially the initiative pursued by U.S. Secretary of State George Shultz since February this year.

On the Iran-Iraq War, Clark said the leaders condemn the use of chemical weapons by either country and uphold the freedom of navigation in the Gulf.

On South Africa, he said the leaders "declare" their "abhorrence of apartheid," which, he said, must be replaced through "a process of genuine national negotiations by a non-racial democracy."

According to U.S. Assistant Secretary of State Rozanne Ridgway this afternoon, the regional issues the summit leaders have covered include the Middle East, Southern Africa, aid to the Philippines, Gulf, and peaceful Seoul Olympics.

East-West Relations Discussed
OW2006091888 Beijing XINHUA in English
2348 GMT 19 Jun 88

[Text] Toronto, June 19 (XINHUA)—East-West relations figured prominently on the opening day of the current 14th economic summit.

Tonight, Reagan will address the topic over a dinner given by host Canadian Prime Minister Brian Mulroney for the participating heads of state and government.

French President Francois Mitterrand met with Reagan this afternoon on the issue, and British prime minister also had "substantial discussion" of the topic during her meeting with Federal German Chancellor Helmut Kohl.

East-West relations becomes a prominent issue in the economic summit after Reagan and Soviet leader Gorbachev agreed to dismantle their intermediate range nuclear weapons.

A British official said tonight's dinner will reaffirm the arms control efforts. He said the West welcomes reforms taking place in the Soviet Union because that makes the West "feel safe."

In other developments, Thatcher and Kohl agreed during their meeting that the Western economy is going well and the policy that has brought about the progress should continue.

They discussed issues ranging from European monetary system to acid rain. The British position is one of building upon what has been achieved rather than seeking new initiatives, the British official said.

Referring to other political issues to be discussed during the summit, the official said Britain supports an international conference on Middle East peace but Britain does not recognize the Palestine Liberation Organization as representatives of the Palestinian people.

New Debt Relief Strategy
OW2106052588 Beijing XINHUA in English
0046 GMT 21 Jun 88

[“News Analysis: New Debt Relief Strategy Taking Shape (by Zhao Zijian)”—XINHUA headline]

[Text] Toronto, June 20 (XINHUA)—A new debt relief strategy which is aimed at reducing debt burdens of sub-Saharan African countries has taken shape at the Toronto Western economic summit.

The new strategy represents a change of U.S. stance and a rejection of the call by certain countries for unified relief approach among major industrial countries.

U.S. Treasury Secretary James Baker this afternoon said, he and his counterparts from Japan, Federal Germany, France, Britain, Italy, and Canada had agreed to recommend a flexible debt policy to the Paris Club which deals with government assistance programs.

Under the new debt strategy, each industrial government would be allowed to choose its own form of debt relief for the so-called "the poorest of the poor" sub-Saharan African countries.

Since the U.S. Government cannot cancel debt due to budget and legal restraints, it used to oppose the other industrial countries to do so.

Baker said there is a "significant change" in U.S. policy on this regard.

This, Baker said, would enable the governments to escape the various "budgetary and legal constraints" they face when debt relief is involved.

Analysts agree that the issue would drag on if the U.S. sticks to its former position that all members of the Paris Club should pursue the same debt strategy.

Referring to the problems of heavily indebted Latin American countries, Baker reiterated his call for the implementation of the classic Baker strategy, that is, adjustment in the debtor countries and increased financial assistance from multilateral banks and commerce sources.

The U.S. opposes the idea of expanding debt relief to commercial loans. One reason is that U.S. commercial banks are the number one holder of Latin American debt. Unlike African debt, the debt owed by Latin American countries are mostly commercial ones with market-level interest rates.

Baker said he expects a communique at the current summit to give more attention to the Third World debt problem than any previous summits.

Most of the "poorest of the poor countries" are sub-Saharan African countries with very low production and lower export capability. In many cases, the amount of debt they owe to the rest of the world is larger than their total annual output.

Debt relief for these countries started from the late 1970s. In recent cases, Federal Germany, Britain, France, and Canada cancelled a portion of debt owed by these countries and Japan has a similar plan for debt cancelling.

Italy, who has rejected debt forgiveness to the Third World because of legal restraints, like the U.S., has been providing Third World assistance mostly in grants and would like to stretch out the repayment period for the remaining debt.

The G-7 [Group of Seven] finally put the new strategy in action, about 10 to 15 percent of the 85 billion dollars debt burden of the very poor countries will be written off or put far back. But it remains to be seen whether the rich countries would provide more capital to the very poor countries so that the latter's economy may be turned onto the track of recovery.

'Roundup' on UN Disarmament Session
HK1906014488 Beijing RENMIN RIBAO in Chinese
16 Jun 88 p 6

[“Roundup” by RENMIN RIBAO reporter Liu Kaichen (U491 7030 1368): “Make Joint Efforts to Stop the Arms Race—Notes on the General Debates of the Third UNGA Special Session on Disarmament”]

[Text] United Nations, 14, Jun (RENMIN RIBAO)—The general debates of the third UNGA [UN General Assembly] special session on disarmament ended today. Representatives from 130 countries, including their state and government heads and foreign ministers, have delivered speeches. At this session, people were more eager to speak than at the previous two sessions and representatives from these countries discussed disarmament and all related issues. Their discussion was more comprehensive and had greater depth than that at the previous two sessions.

During the 2-week debates, disarmament by the two superpowers—the United States and the Soviet Union—was the issue that received the most attention from the representatives. They took the U.S.-Soviet summit very seriously, suggesting that the ratification of the INF treaty by the congresses of the two countries and the signing of an agreement by their governments on jointly monitoring underground nuclear tests and an agreement on advance notification of launching of ICBMs and sea-based ballistic guided missiles were the actual progress they had made in disarmament and that this progress had put an end to the stalemate reached at the disarmament talks. The representatives generally welcomed this, praising it as the first step in nuclear disarmament. However, they still maintained that even if this step is fully put into practice, the United States and the Soviet Union still possess 95 percent of the nuclear arms in the world, which seriously threaten the existence of mankind. Therefore, they expressed the hope that the United States and the Soviet Union will sign a treaty on strategic nuclear arms reduction before the end of this year and will continue to reduce nuclear arms in the future.

In their speeches, some representative emphatically pointed out two problems concerning the current U.S.-Soviet arms race which merit attention. First, on the one hand, the two superpowers are reducing their arms quantitatively in their arms race. However, on the other, they are trying to improve their quality and are developing newer types of lethal weapons by applying advanced science and technology. This practice of improving the

quality of arms also jeopardizes world peace and security and warrants vigilance. Second, the two superpowers have more mass destruction weapons than other countries. Thus, there is an imbalance in military power between these countries on the one hand and the superpowers on the other and the majority of countries feel unsafe. Therefore, from the angle of world peace and security, it is very necessary for the two superpowers to take the lead in massive arms reduction.

The representatives were worried by the fact that the two superpowers are expanding their arms race into outer space by developing outer space weapons that are both offensive and defensive in nature. They generally called for an end to the outer space arms race, so that outer space, which belongs to the human race as a whole, can be developed and used for peaceful ends.

In addition to calling on the superpowers to take the lead in massive arms reduction, the representative also suggested that various countries maintain a minimum amount of conventional military equipment and use them for defense purposes, but not use them to invade other countries or to threaten their security. They also suggested that the use of chemical weapons by belligerent countries be completely banned.

The relationship between disarmament and development was a new topic introduced at this UNGA special session on disarmament. Many representatives held that military spendings in the world, which total about \$1,000 billion, are very excessive. On the other hand, the developing countries are inadequately developed [as published] and they have great economic difficulties. The total amount of their foreign debts now exceeds \$1,000 billion. All this is threatening international peace and security. Developed countries should use the resources saved from disarmament for their own development and to help the developing countries develop their economies.

With a view toward upholding world peace, the representatives also discussed the question of regional conflict. They were for the withdrawal of Soviet troops from Afghanistan, pointing out that the political settlement of the Afghanistan issue would contribute to the relaxation of the situation in that part of the world and suggesting that regional conflict, such as the Cambodian issue, the South African issue, and the Central American issue should also be settled politically as soon as possible.

Although the international situation has relaxed somewhat now, the arms race has not ended and world peace and security remain threatened. The representatives were fully aware of this. They suggested that all the countries in the world should make joint efforts to stop the arms race and continue to fight for world peace.

UN Envoy Endeavors To Set Up Afghan Government
OW2006155188 Beijing XINHUA in English
0710 GMT 20 Jun 88

[Text] Islamabad, June 20 (XINHUA)—Diego Cordovez, UN mediator on Afghanistan, will arrive here on June 30 to continue his efforts to set up a broad-based government in Afghanistan.

Diplomatic sources here said that in what is believed to be a last major attempt, Cordovez will try to persuade the Afghan resistance forces and Moscow-installed Kabul regime to form a government which is acceptable to the two parties of the conflict.

Cordovez, who mediated the Geneva agreement on Afghanistan, will take up the post of foreign minister of Ecuador and retain a mediating role in Afghanistan as well.

The Geneva agreement, which was signed on April 14 by Pakistan, the Kabul regime, the Soviet Union and the United States, provides for the withdrawal of the Soviet troops from Afghanistan within nine months starting May 15.

During his stay in Islamabad, the UN envoy will call on Pakistan President Mohammad Ziaul-Haq and have talks with officials of the Foreign Office.

Pakistan has stated that it will extend support to and cooperate with Cordovez in his endeavor.

Cordovez is also expected to meet leaders of the Seven-Party Alliance of Afghan Mujahideen (Holy-War Fighters) and exchange views with them on the possibilities of setting up a broad-based government in Afghanistan.

Observers here are not very optimistic about the outcome of Cordovez's mission in this regard since the resistance alliance has refused to share power with the Kabul regime.

The alliance announced the portfolios of 14 ministers nominated for the proposed interim government last night in Peshawar, capital of Pakistan's Northwest Frontier Province.

The interim government, which was proposed by the alliance last February, includes 14 mujahideen representatives, seven refugees seeking shelter on foreign lands and seven muslims living in Kabul.

Cordovez will also tour Kabul and have talks with head of the Kabul regime Najibullah on the establishment of a broad-based government after concluding his visit to Islamabad.

U.S., Iran Hold 'Secret Proximity Talks'
OW2006221088 Beijing XINHUA in English
1414 GMT 20 Jun 88

[Text] London, June 20 (XINHUA)—The United States has been conducting a series of secret "proximity talks" with Iranian officials over the past one and a half years, reported a British leading newspaper today.

THE INDEPENDENT quoted U.S. sources familiar with these secret talks as saying that the last two such meetings took place in Geneva around May 15 and in Algiers around June 1.

"The American aim is to maintain channels of dialogue with elements in the clerical regime to ensure a role for the United States in post-Khomeyni Iran," the paper said.

The talks, it added, were deliberately pitched at low official levels to keep either government from embarrassment since they were held in the wake of the U.S. Irangate scandal.

The arms-for-hostage scandal involved a secret arm sale to Iran and diversion of its proceeds to provide prohibited military aid to Nicaraguan contra rebels in 1985-86.

THE INDEPENDENT said that the recent talks were approved by U.S. Secretary of State George Shultz.

Although they were officially not negotiations for the release of U.S. hostages held in Lebanon by pro-Iranian groups, they provided a forum for the issue to be raised, it said.

"Thus far, dialogue has foundered on Iranian demands to link freedom for the hostages to financial and military concessions, and a shift in Gulf policy," the paper said.

John Whitehead, U.S. deputy secretary of state, and Richard Murphy, assistant secretary of state for Near Eastern affairs, monitored the talks closely and might have attended one or more sessions, THE INDEPENDENT said, quoting the U.S. sources.

On the Iranian side, Special Envoy Sadeq Tabatabai, who is brother-in-law to Iranian spiritual leader Ayatollah Khomeyni's son Ahmad, and Mohammad Javad Larijani, deputy foreign minister for European and North America affairs, were both reported to be involved.

United States & Canada

Joint Trade, Economic Development Session Begins

Largest Joint Session Opens
HK2006154788 Beijing CEI Database in English
20 Jun 88

[Text] Beijing (CEI)—The China-U.S. joint session on industry, trade and economic development which believed to be the largest ever announced its opening here this morning.

Over 800 American business people representing about 600 small and medium-size enterprises will meet with over 1,000 Chinese counterparts here during the four-day session.

According to a spokesman, the session is mainly meant to improve mutual understanding between the Chinese and American firms through introduction to each other's investment environment, economic laws and regulations. About 1,100 cooperation projects have been brought to the session by Chinese delegations for discussion.

The Sino-U.S. bilateral trade last year exceeded 10.4 Billion u.s. dollars and during the first quarter of this year is up 19 percent. American investors have committed over 3 billion U.S. dollars to projects in China—more than any other country.

Tian Jiyun Opens Session
OW2106042788 Beijing XINHUA in English
1330 GMT 21 Jun 88

[Text] Beijing, June 20 (XINHUA)—More than 2,000 Chinese and American officials and businessmen began here today a joint session on Sino-U.S. industry, trade and economic development.

China's Premier Li Peng, U.S. President Ronald Reagan and U.S. Vice President George Bush sent their messages of congratulations to the gathering, the biggest unofficial business meeting of its kind ever held between the two countries.

Addressing the opening ceremony, China's Vice-Premier Tian Jiyun said the main task for China, which is now in the primary stage of socialism and still underdeveloped, is to actively develop its productive forces and commodity economy, while opening wider to the outside world. And special efforts should be made to develop its export-oriented economy in the coastal areas, he added.

He noted that China's open policy will remain unchanged, because reform has not only invigorated the country's economic development, but also created a good environment for economic exchanges between China and the rest of the world.

It has also provided a better opportunity to expand cooperation between China and the U.S. in economy, trade and technology, he said.

President at the opening meeting were Chen Muhua, vice-chairman of the standing committee of China's National People's congress, and U.S. ambassador to China Winston Lord.

During the four-day session, the participants will brief each other on the policies of their respective countries on investment, industry, trade, finance and technology transfer. At the same time, delegations from 23 coastal provinces and cities of China will discuss cooperation projects with their American counterparts.

Symposium Draws Large Turnout
OW2006162288 Beijing XINHUA in English
1157 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—A Sino-American symposium on industry, trade and economic development opened here today, with some 1,000 American businessmen and their Chinese counterparts representing 22 Chinese provinces, attending the meeting.

East China's Zhejiang Province came to the gathering with a total of 222 economic and technological items on which it hoped to negotiate contracts with the Americans.

Trade volume between Zhejiang and the U.S. reached 140 million U.S. dollars in 1987. The province now has over a dozen Sino-American joint ventures and cooperative enterprises in operation. Both sides have achieved satisfactory results in cooperative efforts in the fields of electronics, chemicals, medicine and aquatic breeding.

Central China's Hubei Province has sponsored commodity exhibitions on many occasions in the United States. By the end of 1987, Hubei had 13 Sino-American joint ventures involving 29 million U.S. dollars in investment, including 11 million from the American side.

Trade representatives have also come from Jiangsu Province in east China. The province has trade and cultural ties with over 130 countries and regions. It has over 200 Sino-foreign joint ventures and cooperative enterprises.

Top leaders from both China and the United States sent their greetings to the meeting. Chinese Premier Li Peng called it "a big event with great significance", since it brought together more than 2,000 participants to explore ways to expand economic, trade and technical ties.

U.S. President Ronald Reagan sent a message in which he said, "The number of American and Chinese organizations which have sent representatives to this meeting demonstrates our shared interest in, and commitment to, the United States-China commercial relationship."

Coastal Development Stressed
OW2006183488 Beijing XINHUA in English
0607 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—China has adopted a series of measures to accelerate development of an export-oriented economy in the coastal areas.

These include expanding reform of the foreign trade structure, opening up more of the area to the outside world and improving the investment environment.

The new strategy will enable the coastal areas to import raw materials from abroad and sell finished products back to overseas markets, said Zhou Jiannan, deputy director of the leading group for investment under the State Council.

The reform of the foreign trade structure will introduce the contract responsibility system in foreign trade institutions and reduce export commodities managed directly by the state, said Zhou at a U.S.-China joint session on industry, trade and economic development which opened here today.

This will allow local foreign trade departments, export and import corporations and enterprises to handle a large part of the import and export of goods, Zhou said.

The management system for foreign exchange will also be reformed and the distribution method for foreign exchange earnings improved, he said.

One of the key elements of the strategy is the development of the newly-formed Hainan Island Province into the largest special economic zone in the country.

The island will have greater power to make decisions in its foreign trade activities and foreign investors will enjoy greater convenience in getting capital, materials and commodities in and out of the country.

Zhou said the government has decided to expand economic open zones in liaodong and shandong peninsulas and some coastal cities. They will be able to give preferential treatments to encourage foreign investment and trade.

The scope of the three economic open zones of the Pearl River Delta, Yangtze River Delta and the Southern Fujian Triangle Area will be expanded, too.

The open coastal belt covers 300,000 square kilometres with a population of 160 million.

The government has also improved the investment environment by drafting a set of 22-articles and detailed regulations for foreign businessmen on managing their enterprises in China according to international practices.

Services such as power and raw material supplies have been improved, too, he said.

Zhou noted the infrastructure in the country's four special economic zones has been strengthened over the past two years.

In 1987 the industrial output value of the four zones was 10.5 billion yuan. Exports totalled almost two billion U.S. dollars. Investments reached 2.16 billion U.S. dollars with more than 1,700 foreign-funded enterprises starting operations.

The zones have drafted about 200 sets of regulations on customs, taxation, labor management and prices to facilitate foreign investors. The land use fee has also been lowered, he said.

Gao Shanquan Gives Speech
OW2106055488 Beijing XINHUA in English
0134 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—The enterprise contract system is sweeping the country and creating unprecedented reform in the way businesses are managed in China, the vice minister in charge of the State Commission for Restructuring the Economy says.

Gao Shangquan told representatives at the Sino-U.S. joint session on industry, trade, and economic development here that 80 percent of the enterprises surveyed in 23 provinces and cities have now adopted the system.

Gao said improving the contract system and deepening reforms in management remain the main economic tasks for this year.

Other important tasks are reforms on investment, materials and goods distribution, foreign trade, finance and taxation, housing, and price administration, he told the gathering.

Gao said China's 9-year old economic reform has entered a new stage, described at last year's 13th National Chinese Communist Party Congress as the primary stage of socialism.

He said new systems are replacing old as the market mechanism and law of value begin to play a bigger role and the government a lesser one in directing the affairs of enterprises.

Gao said the contract system is clarifying the relationship between enterprise and state and stressing the need for enterprises to be able to make their own decisions to improve efficiency.

In terms of overall management of the economy, he said, comprehensive regulation and control have begun to be introduced in accordance with the state industrial policy.

The new situation promotes both revitalization of enterprises as well as macro-economic control, he said.

Although the economic situation in China is better than expected, Gao said there are still many problems.

Inflation is one. Imbalances in the national economy is another and so are the market order and rules.

He said the problems are due to the co-existence of the old and new economic systems.

Zhu Rongji Addresses Session

OW2106052588 Beijing XINHUA in English
1332 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Shanghai Mayor Zhu Rongji today stated his immunity from the widely rampant "red-eye disease" (jealousy) and assured American business executives of their profits if they invest in Shanghai.

"No matter how much money foreign investors make in Shanghai my eyes will not turn red," the eloquent new mayor said at the end of his speech at the China-U.S. joint session on industry, trade and economic development.

The statement, which was repeated by Zhu in fluent English, drew a roar of laughter and applause from the crowded Great Hall of the People here in Beijing.

The "red-eye disease", a word coined by local people several years ago and widely used in the media, refers to the kind of jealousy often combined with attempts at blackmail and targeted at other people who have become better-off, which was once ridiculed as typically "oriental".

Despite various urgent problems faced by Shanghai, Zhu said, the huge metropolis boasts advanced infrastructure and support facilities which can help the city achieve the goal before long of attracting 10 to 20 billion U.S. dollars in direct foreign investment.

According to Zhu, the number of foreign-funded ventures in Shanghai reached 307 by the end of the first quarter this year, involving a total of 1.9 billion U.S. dollars in foreign investment. U.S. investment has been put into 47 joint ventures in Shanghai, increasing the U.S. funds there to 556 million U.S. dollars, about 30 percent of the total direct foreign investment in the city.

Of the 47 joint equity enterprises, Zhu said, one-third involve advanced technology, and another one-third have started operation with full capability of balancing their foreign exchange.

Zhu attributed the success of American investors in Shanghai to an improved local investment environment. Shanghai has adopted about 20 sets of local rules and

regulations, governing foreign investment, and has provided overseas investors with favorable treatment in terms of taxation, bank loans, energy and material supplies, and transfer of land use rights.

Besides continued efforts to improve infrastructure, Shanghai set up earlier this month a municipal foreign investment committee, which is headed by Zhu himself, and is aimed at offering more efficient one-stop services to foreign investors. The city also plans to draw up 61 sets of new rules and regulations on foreign economic activities over next five years.

Shanghai, situated at the mouth of the Yangtze River, is China's largest industrial city and has a population of 11 million. Its industrial output value last year accounted for 8.3 percent of the country's total and its export earnings, 12 percent of China's total in 1987.

The 60-year old Zhu used to serve as vice-minister of the State Economic Commission in charge of foreign investment affairs in China before he was elected mayor of Shanghai in April this year by the local People's Congress.

Tian Jiyun Meets U.S. Group

OW2106020988 Beijing XINHUA in English
1523 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Chinese Vice-Premier Tian Jiyun met with here this evening the U.S. Advisory committee members attending the China-U.S. Joint session on industry, trade and economic development, which opened this morning.

Tian said, during his recent visit to the United States, he had wider contacts with American officials and entrepreneurs who showed a strong desire to expand economic and trade relations with China.

Great potential lies in the cooperation between the two countries, he said.

China's policy of reform and opening to the outside world remains unchanged, he said, adding that this will help the development of Sino-U.S. Relation.

James Abdnor, administrator of the U.S. Small Business Administration, said that the joint session will deepen the mutual understanding between the two countries.

He said he and his colleagues are pleased to see great progress China has made in the process of opening to the outside world.

Tian Jiyun Opens Exhibition
OW2106013988 Beijing XINHUA in English
1532 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—An exhibition, part of the on-going China-U.S. joint session on industry, trade and economic development, opened here tonight at the Great Hall of the People.

Chinese Vice-Premier Tian Jiyun cut the ribbon for the exhibition at the opening ceremony.

Over 110 enterprises from 18 provinces and municipalities of China are taking part in the exhibition.

On display are products from dozens of industrial sectors including civil engineering, chemicals, posts and telecommunications, port construction, coal mining, farm machinery, light industry and textiles, electronics, medicines, oil, construction materials, cars and computers.

An official of the China International Conference Center told XINHUA that the four-day exhibition is aimed not only at presenting Chinese products, but also at providing an occasion for entrepreneurs from both sides to hold trade talks and pave the way for future cooperation.

Official Writes on Sino-U.S. Trade Expansion
OW2106051188 Beijing XINHUA in English
0126 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—Bilateral trade between China and the United States soared to 7.875 billion U.S. dollars last year, 8.95 times the figure of 1978, the year before the establishment of diplomatic relations between the two countries.

In an article published in the latest issue of "BEIJING REVIEW", Wang Pingqin, vice-minister of foreign economic relations and trade, said the United States has become China's third largest trading partner. In 1987, China exported commodities totaling 3.04 billion U.S. dollars to the United States and imported 4.835 billion U.S. dollars worth of goods from that country.

Textiles and clothing made up the lion's share, accounting for more than 40 percent, followed by crude and refined oil as major Chinese exports to the United States, Wang said.

But China's exports to the United States have diversified in recent years and it has expanded exports of machines and manufactured products such as TV sets, transistors, electronic organs, and photographic materials.

On the other hand, the structure of U.S. exports to China has also changed from primary products to machines, technology, and equipment. Major commodities include planes for civilian use, vehicles, computers, chemical equipment, and power generating equipment, Wang added.

With mutual investment, cooperative production, compensatory trade, processing with supplied materials, and leasing, Sino-U.S. trade has changed from a straight exchange of goods to a diversified system, which integrates industrial and technological import with trade.

According to statistics from the Chinese side, Wang said, the number of U.S.-invested projects operating to the end of 1987 totalled 408, with a contract value of 3.04 billion U.S. dollars, next only to Hong Kong and Macao.

The United States leads all the countries in investing in China, both in terms of total value and the number of projects involved. China has also invested and set up joint ventures or exclusively Chinese-operated enterprises in the United States, Wang added.

However, great potential in Sino-U.S. economic and trade cooperation has not been fully tapped. Some barriers still stand in the way of further economic and trade expansion.

For instance, Wang said, some U.S. legislations biased against China have not been revised; China has not enjoyed the generalized system of preferences which should be extended to a developing country; exports of some Chinese commodities have been restricted by the United States; and U.S. technology transfers to China have been strictly controlled. The two countries have not signed investment protection and sea transport agreements.

More and more people are aware that both sides benefit from the expansion of bilateral trade and the time is indeed ripe for cooperation, Wang said, adding as long as both sides continue in their joint efforts, Sino-U.S. cooperation will open up a new era in their bilateral trade relations.

Wan Li Meets With Foreign Bridge Players
OW1806113888 Beijing XINHUA in English
0930 GMT 18 Jun 88

[Text] Beijing, June 8 (XINHUA)—Wan Li, chairman of the Standing Committee of the Chinese National People's Congress, asked Chinese bridge players to learn from their counterparts from the United States and Italy.

During a meeting with Chinese and foreign bridge players attending an international tournament here this afternoon, he said that the U.S. and Italian participants were good players. "It's a good opportunity for our players to learn from them and enhance the friendship with them."

The Chinese chairman, an enthusiastic bridge player himself, disclosed that he no longer played bridge too much.

Ten teams from the United States, Italy and China are taking part in the 1988 Beijing Friendship Cup International Bridge Tournament which opened Wednesday.

A team from coastal Zhejiang Province led with a total of 122 victory points after six rounds. The Italian team now ranked second with 101 points while the Nashville squad of the United States is third with 100 points.

The biennial event is scheduled to conclude Monday.

NPC Vice Chairman Meets U.S. Professor
OW2006155088 Beijing XINHUA in English
1138 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Baingen Erdini Qoigyi Gyaincain, vice-chairman of the Chinese National People's Congress Standing Committee, met Chun-tu Hsueh, professor at the department of government and politics of University of Maryland of the United States, at the Nationalities Palace of Culture here this afternoon.

The Chinese leader briefed his guest on the situation in Tibet.

XINHUA Analyzes Reagan's 'Free Trade' Tactics
OW1706113388 Beijing XINHUA in English
0817 GMT 17 Jun 88

[“News Analysis: Reagan's “Free Trade” Tactics (by Ding Liguo)”—XINHUA headline]

[Text] Beijing, June 17 (XINHUA)—U.S. President Ronald Reagan is again trying to sell his “free trade” initiative, which he has billed as the key to worldwide prosperity.

His latest sales pitch is expected to be made at the June 19-21 economic summit of the seven Western industrialized nations in Toronto.

The free and open international trade system the Reagan Administration is vigorously pushing is actually a far cry from the real trade world, and has no hope of materializing.

But the President's preoccupation with the philosophy of a free market economy led him to launch a “free trade” drive that has indeed been credited with success in pressuring the U.S. trade partners to open their markets to U.S. products, scale down their exports and push up the value of the U.S. dollar.

The U.S. current account was in the red only one year after Reagan moved into the White House in 1980. The merchandise trade deficit soared to a record 173 billion dollars last year, increasing volatility of the money market and restraints in the government's monetary and financial policies.

Washington has blamed its worsened balance of payments mainly on trade barriers erected by Japan, West Germany and Asia's “four tigers”—South Korea, Singapore, Hong Kong and Taiwan.

Appealing for “free trade,” the Reagan administration reminded countries like Japan and West Germany, which racked up large surpluses with the U.S., that the U.S. Congress might enact import restrictions and retaliatory bills if the trade partners fail to help improve the U.S. current account.

The “free trade” drive reaped a big success when U.S. Treasury Secretary James Baker obliged the G-7 [Group of Seven] counterparts to sign the Plaza Accord in 1985, which was designed to drive down the dollar against major Western currencies. By the end of last year when the U.S. urged joint efforts to brake the dollar's slide, the U.S. dollar had lost half of its value.

Meanwhile, Washington used the same tactic to pressure those countries to “automatically” curb their exports. And in areas where the trade partners refused to back down, it took a tough line. Since 1985, the White House took 17 actions against nations deemed to be engaged in unfair trade practices. The sharpest censure came last year when it imposed 300 million dollars worth of sanctions against imports of Japanese computer chips.

The “free trade” campaign seemed to have worked. The Commerce Department reported Tuesday that a plunge of imports drove the seasonally adjusted April trade deficit down to 9.89 billion dollars, the best showing since December 1984. Analysts predicted that this year's trade deficit will drop below 150 billion dollars.

Booming exports eased fears of a depression that were sparked by the October 1987 stock crash. The U.S. gross national product rose by a 2.3 percent annual rate in the first quarter, and inflation is still in control.

In fact, trade policy has already become a campaign issue for the Democrats who control both the House and the Senate. The jockeying between the White House and Capitol Hill now seems to have nothing to do with trade but everything to do with election-year politics.

Spurning protectionist pressure from Capitol Hill, Reagan continues to advocate “free trade” to show his determination in carrying on with the free market philosophy which he said contributed to the 67-month economic expansion during his terms in office.

At the same time, he also has won the favor of foreign countries for the Republican Party who is not viewed in foreign circles as having the protectionist fervor of the Democrats. This helps Republican presidential candidate George Bush.

The upcoming Toronto Summit will see Reagan employ the "free trade" tactic to make new achievements on the issue of farm subsidies.

The summit participants from the European Economic Community have to either make concessions to the U.S. demand to eliminate farm subsidies by the year 2000 or face Washington's threat of congressional appropriations for increased subsidies to U.S. farm exports and more import barriers against agricultural products.

Besides pressing Japan and West Germany to further reduce their still great surpluses with the U.S., Reagan will likely single out the Asian "four tigers," whose trade surpluses with the U.S. ballooned in April, and ask them to follow the example of Japan and West Germany.

Analysts believe Reagan's "free trade" tactic will probably be effective again, against the backdrop of the country's growing protectionism that was most recently marked by the Omnibus Trade Bill which cleared the Congress but failed to become law when Congress was not able to override the President's veto.

RENMIN RIBAO on Reagan's Toronto Trip
HK2106034588 *Beijing RENMIN RIBAO in Chinese*
20 Jun 88

[("Newsletter from America" by RENMIN RIBAO reporter Jing Xianfa (2529 2009 3127): "Reagan's Trip To Toronto")]

[Text] Washington, 17 Jun—The seven Western nation's summit conference which will soon be held in Toronto, will be the last meeting between President Reagan and the heads of state of the other six western countries. Although Western public opinion does not harbor much hope for this "farewell banquet" conference, the motions to be put forward by the United States will probably have a certain impact on the economies of the western countries, and also on the economy of the world as a whole.

Since the stock exchange crisis last October all the major industrial countries in the West have been acting very cautiously. Recently, the exchange rate of the U.S. dollar has become relatively stable and the Western economy is still maintaining a snail-paced growth accompanied by a low inflation rate. However, since the United States is still suffering from a serious trade imbalance the main White House goal is still to urge its Western partners to coordinate their economic policies and open their markets to the United States. It is reported that the motions to be put forward by the United States at the upcoming Toronto Summit Conference will include:

—A demand that West Germany and Japan carry out "structural adjustment" of their economies and increase their imports of U.S. commodities;

—A motion urging America's Western trade partners to act "synchronously" with the United States in coordinating their economic policies;

—A motion urging the EC and Japan to abolish their subsidies for the export of farm products and dismantle their import tariff walls;

—A motion stressing the need to implement "further restrictions" on the four Asian "small dragons," Brazil, and some other countries and regions, and to urge some international organizations to cancel their special preferential treatment of these countries and regions, and so on; Like all previous summit meetings of the seven Western nations the United States will mainly direct its spearhead at West Germany and Japan. The United States has explicitly demanded that West Germany and Japan carry out "structural readjustment" of their economies to turn their export-oriented into import-demand economic structures.

However, Washington has no reason to be over-optimistic about the prospects for President Reagan's trip to Toronto. First, because President Reagan's term of office will soon expire, it is unlikely that other Western countries will make any new concessions at the conference; second, since the beginning of this year the U.S. trade deficit has been significantly reduced. The U.S. trade deficit in April was at \$9.9 billion. Therefore the United States has no reason to ask other Western countries to make further concessions; third, this year, Japan's economic growth rate is the highest among all the major Western industrial countries, and West Germany's economic performance has also improved. Therefore, if the United States continues to ask these two countries to adopt measures to stimulate their respective economic growth, Japan and West Germany are unlikely to obey the order. The U.S. Trade Representative Yeutter has admitted that the United States demand for Western countries to accept the motion of "structural readjustment" at the upcoming economic conference will be a "very difficult process."

The United States has harbored high hopes for the motion to "abolish farm produce export subsidies" which will be put forward by President Reagan at the Toronto Conference. However, since this proposal was first announced by President Reagan last July it has been strongly opposed by all the Western countries. Until now there has been no sign that Western Europe is willing to make concessions on this proposal.

What Washington will feel relieved about at the conference will probably be that on this occasion the other Western countries will not put pressure on the United States to reduce its huge financial deficit as they did at previous summit conferences.

Canada Offers Financial Aid To Study Project
OW2106104588 Beijing XINHUA in English
1433 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Canadian Government has decided to offer the Chinese Government an additional financial aid for use in the studies of the feasibility study of China's Three Gorges project.

The decision is contained in the memorandum of understanding between the two governments for the Three Gorges complementary studies project, which was signed here this afternoon by Zheng Tuobin, Chinese minister of foreign economic relations and trade, and Pat Carney, president of the Treasury Board of Canada, on behalf of their respective governments.

Prior to the signing of the document, Zheng and Carney held talks on further economic cooperation between the two countries. In the evening, Zheng gave a dinner for the Canadian friends.

Soviet Union

Sino-USSR Normalization Talks Continue, End

Tian Meets Shevardnadze
OW2006192888 Beijing XINHUA in English
1847 GMT 20 Jun 88

[Text] Moscow, June 20 (XINHUA)—Chinese special envoy Tian Zengpei today expressed his hope that the Soviet Union, which had decided to withdraw its troops from Afghanistan, would also help Vietnam to pull out all its troops from Kampuchea as soon as possible.

Tian indicated his hope in a meeting with Soviet Foreign Minister Eduard Shevardnadze here this evening. The Soviet minister restated his country's position on the Kampuchean issue.

Tian, Chinese vice foreign minister, arrived here on June 13 to attend the 12th round of consultations on the normalization of Sino-Soviet relations, which were held from June 14 to June 20. He also visited the city of Yalta on the Crimean peninsula.

Talks on normalizing Sino-Soviet relations started in 1982. They were held alternately in the capitals of the two countries, with the previous round taking place in Beijing last October.

News 'Communiqué' Issued
OW2006192588 Beijing XINHUA in English
1839 GMT 20 Jun 88

[“Press Communiqué on Sino-Soviet Consultations”—XINHUA headline]

[Text] Moscow, June 20 (XINHUA)—The issue of Kampuchea was the main topic in the 12th round of Sino-Soviet consultations which ended here today, according to a press communiqué issued here.

The communiqué says that both sides expounded in detail their respective positions on the issue. No further details were given.

The latest round of consultations started in Moscow on June 14.

The communiqué says that Tian Zengpei, special envoy of the Chinese Government and vice foreign minister, and his Soviet counterpart Igor Rogachev “continued the discussions on the normalization of relations between China and the Soviet Union in a businesslike and frank atmosphere.”

The two sides noted that there had been an increase in the exchanges and contacts between the two countries in many fields since the previous round of consultations, which were held in Beijing last October, and both considered that there were still potentials in this respect, the communiqué says.

The two sides also exchanged views on a number of international issues, including the situation in the Asian-Pacific area.

They decided that the third round of talks on border issues between representatives of their governments be held in Moscow in October this year.

The next round of Sino-Soviet consultations will take place in Beijing between April and May next year.

Consultations End
OW2106133988 Beijing Domestic Service
in Mandarin 0930 GMT 21 Jun 88

[Text] According to a XINHUA report, the 12th round of Sino-Soviet consultations was held in Moscow from 14 to 20 June. Tian Zengpei, special envoy of the Chinese Government and vice foreign minister, and his Soviet counterpart Rogachev continued the discussions on the normalization of relations between China and the Soviet Union in a businesslike and frank [renzhen yu tanshuai] atmosphere.

The two sides noted that there had been an increase in exchanges and contacts between the two countries in many fields since the previous round of consultations. Both sides believed that there is still potential in this respect.

The two sides focused on a discussion [zhuozhong tao-lun] of the Cambodian issue and expounded in detail on each other's stand on this issue. The two sides also exchanged views on a number of international issues, including the situation in the Asia-Pacific area.

They decided that the third round of talks on border issues between representatives of their governments be held in Moscow in October 1988 and that the 13th round of Sino-Soviet consultations be held in Beijing from April to May 1989.

**Joint Shipping Venture With USSR, Japan To Open
SK2106053088 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 20 Jun 88**

[Text] A container shipping line from China's Harbin to Japan's Yokohama via China's Suifenhe and the USSR's (?Kavalerovo) and Nakhodka will formally open on 1 July. On 27 April, the Heilongjiang Provincial Transportation Company in China, the Japanese-European Container Traffic Company in Japan, and the All-Soviet Freight Transportation Company in the Soviet Union held talks on the issue of opening this container shipping line. During the talks, a unanimous agreement was reached and a protocol was signed.

**Zhu Xuefan Attends Soviet Artists Performance
OW1706212988 Beijing XINHUA in English
1402 GMT 17 Jun 88**

[Text] Beijing, June 17 (XINHUA)—A troupe of 15 noted Soviet artists staged a music, ballet, magic and acrobatics performance here tonight to the warm applause of an audience of nearly 2,000.

Wu Zhuqiang, dean of China's Central Conservatory of Music, said: "The performance revealed the artists' serious attitude toward art and displayed their exquisite performing skill."

Zhu Xuefan, vice chairman of the National People's Congress Standing Committee, was among the audience.

The visiting Soviet artists will give another performance here before leaving Beijing for a tour of Dalian, Shenyang and Tianjin.

**Soviet Republic Opposes Transfer of Region
OW1806034988 Beijing XINHUA in English
1749 GMT 17 Jun 88**

[Text] Moscow, June 17 (XINHUA)—The Supreme Soviet (parliament) of Azerbaijan is opposing the transfer of its Nagorno-Karabakh region to Armenia.

The Soviet News Agency TASS reported from Baku, capital of Azerbaijan, that the seventh session of the parliament which opened today, endorsed a decree of its Presidium on the "unacceptability" of the transfer of the region from the Azerbaijan Republic to the Armenian Republic.

The Supreme Soviet of Armenia Wednesday gave its consent to taking over the Nagorno-Karabakh Autonomous Region from Azerbaijan and asked the Azerbaijani parliament and the Supreme Soviet of the Soviet Union to study the question.

About 80 per cent of the population of the Nagorno-Karabakh region, an enclave in Azerbaijan, is Armenian, and on February 20, this year, Armenian deputies of the region adopted a resolution calling for incorporation of the region into Armenia.

Large-scale demonstrations subsequently took place in both republics, and more than 30 people were killed.

**PRAVDA Cited on Lack of Afghan Peace
OW1706214188 Beijing XINHUA in English
1357 GMT 17 Jun 88**

[Text] Moscow, June 17 (XINHUA)—Soviet Commander-in-Chief in Afghanistan Boris Gromov said: "There is no peace yet in Afghanistan," "nor is there any fundamental change in the military situation in areas where Soviet troops have withdrawn."

PRAVDA's Kabul correspondent writing in an article carried in the newspaper today quoted Gromov as saying that Afghanistan is beset with all kinds of contradictions and that he is concerned about the continuing flow of weapons from Pakistan to Afghan resistance forces.

The correspondent writes about the situation in Afghanistan a month after the withdrawal of Soviet troops and said now there is not a single Soviet soldier in eastern Afghanistan along the Pakistan border.

The Soviet Union said some 25,000 Soviet troops have withdrawn from Afghanistan since May 15, which account for about one-fourth of the Soviet occupation troops in that country.

The article said however the posts of Soviet troops and the Kabul regime have been repeatedly attacked in Kandahar where tension is growing. Gulbahar near the Kabul-Salang highway has been hit by missiles.

The Soviet Union has accused Pakistan of "violating the Geneva accords" on political settlement of the Afghan problem. But the Pakistan Government has declared that it will continue to support the Afghan resistance forces unless the Soviet Union stops its military aid to the Kabul regime.

The PRAVDA article also said that there is no fundamental change in the situation of Afghan refugees. It accused Pakistan of obstructing the return of the refugees.

Northeast Asia

Li Ruihuan Meets With DPRK's Kim Il-song
HK2106060288 Beijing *RENMIN RIBAO* in Chinese
17 Jun 88 P 6

[XINHUA Report: "President Kim Il-song Meets Li Ruihuan"]

[Text] Pyongyang, 15 Jun (XNA) (Reporter Zhu Kechuan (2612 0344 1557)—Kim Il-song, general secretary of the Workers' Party of Korea Central Committee and president of the Democratic People's Republic of Korea, this morning met with the visiting delegation of Li Ruihuan, member of the CPC Central Committee Political Bureau and secretary of the Tianjin Municipal CPC Committee. Li Ruihuan first conveyed the message of regards extended to President Kim Il-song by Chinese leaders including Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng and Wan Li. President Kim Il-song expressed his thanks and in turn, asked Li Ruihuan to convey the same message to Chinese party and state leaders.

President Kim Il-song and Li Ruihuan conducted very cordial and friendly talks. He happily recalled the warm reception given him by Tianjin during his visit to China last year, and commended the people of Tianjin for their enormous achievements in socialist modernization and construction.

After the meeting, President Kim Il-song hosted a luncheon in honor of Li Ruihuan and his delegation.

Kim Il-song Hosts Luncheon
SK2006130688 Beijing *International Service*
in Korean 1100 GMT 16 Jun 88

[Text] Comrade Kim Il-song, general secretary of the WPK [Workers Party of Korea] Central Committee and president of the state, yesterday morning met Li Ruihuan, member of the Political Bureau of the CPC Central Committee and secretary of the Tianjin Municipal CPC Committee, and his companions who were on a visit to his country

During his visit to our country in May last year, President Kim Il-song visited Tianjin. At that time, President Kim Il-song invited Comrade Li Ruihuan to Korea.

Yesterday, President Kim Il-song said at the meeting with Comrade Li Ruihuan that he was grateful Comrade Li Ruihuan visited Korea without disregarding the invitation.

Comrade Li Ruihuan first conveyed the greetings sent to President Kim Il-song by Comrades Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng, Wan Li, and other Chinese leaders.

President Kim Il-song expressed thanks for this and asked Comrade Li Ruihuan to convey his greetings to the leaders of the Chinese party and state upon his return.

President Kim Il-song conversed with Comrade Li Ruihuan in a warm and friendly atmosphere [tatuthago chinonjogin punwiginosgeso]. He pleasantly recalled the warm welcome he received from the people of Tianjin when he visited China last year and highly assessed the great success which the people of Tianjin won in the socialist modernization construction.

At the meeting, Comrade Li Ruihuan highly assessed the Korean people's zeal of socialist labor and their successes in urban construction, environmental hygienic work, and (?afforestation work). He said that Korea has many experiences to be learned by the Chinese people, and said that we should normally conduct exchanges [chongsangioguro kyoryurul chinhaeng] in the future.

President Kim Il-song said that many cross-visits should be made to mutually understand and learn from one another.

President Kim Il-song held a luncheon for Comrade Li Ruihuan and his companions.

Comrade Li Ruihuan and his companions arrived in Pyongyang on 10 June.

Comrade Li Ruihuan and his companions toured Pyongyang, Nampo, Huichon, and Wonsan and received warm and friendly hospitalities from the domains concerned. They will continue their visit to the Pyongyang area.

Wu Xueqian Meets Japanese Delegation
OW2106004888 Beijing *XINHUA* in English
1514 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Chinese Vice Premier Wu Xueqian met a delegation of Special Committee for Youth Program of the Japanese Liberal Democratic Party at Zhongnanhai here this afternoon.

The delegation is led by Shinya Totsuka, member of the House of Representatives and also member of the special committee.

The Japanese guests were here as guests of the All-China Youth Federation.

Japanese Funds Finance Plant Construction
OW1906122288 Beijing XINHUA in English
1123 GMT 19 Jun 88

[Text] Beijing, June 19 (XINHUA)—Negotiations on a five billion U.S. Dollars steel plant are being carried out between China and Japan, a report in today's "CHINA DAILY" said.

The plant will be the biggest Sino-foreign joint venture in the country, said the paper quoting Tang Fuxiao, a department general manager of the China Kang Hua Development Corporation.

The plant will be located at Shijiusuo, near the coastal city of Rizhao, Shandong Province. The planned annual steel production capacity is about three million tons.

The negotiations are being conducted between the Nippon Steel Corporation, the Industrial Bank of Japan Ltd, and Asahi Trading Co. Ltd on the Japanese side, and Kang Hua, the Ministry of Metallurgical Industry, and the Shandong provincial government on the Chinese side, the paper said.

Kensuke Koga, a senior leader of the Nippon Steel Corporation, came to Beijing on May 15 with a preliminary blueprint of the steel project and a delegation from the Japanese side returned to Beijing between June 7 and 9.

They talked with their Chinese counterparts on problems such as the ratio of investment and profit, loan conditions and interest, sales and prices of products, and supply and prices of raw materials.

Proposals are being carefully studied by both sides. If they are acceptable, feasibility studies are expected to start later, the paper said.

Japanese Official To Observe Soviet Afghan Pullout
OW1706213388 Beijing XINHUA in English
1404 GMT 17 Jun 88

[Text] Tokyo, June 17 (XINHUA)—An official will be sent by the Japanese Government to Pakistan as a member of the United Nations mission to supervise the Soviet troop withdrawal from Afghanistan.

Vice Foreign Minister Ryohei Murata said today that Kenichi Suganuma, deputy director of the Human Rights and Refugees Division of the Foreign Ministry's United Nations Bureau, has been the first Japanese to join officially in the UN peace-keeping mission.

The 34-year old career diplomat, Murata said, will work as a political officer of the UN Good Offices Mission for Afghanistan and Pakistan (UNGOMAP) office in the Pakistan capital of Islamabad for nine months.

The vice foreign minister described Suganuma's mission as "part of Japan's contribution to world peace" on top of the Japanese Government's financial support for the UN peace-keeping duties.

The Soviet Union has been bringing back its troops from Afghanistan since May 15 and a complete withdrawal is scheduled for nine months under a multilateral peace agreement signed in Geneva in April.

South Korean Debate on Reunification Set
SK2006025088 Beijing International Service
in Korean 1100 GMT 18 Jun

[Text] On 16 June, South Korea's ruling party DJP [Democratic Justice Party] decided to hold the first national debate on North-South reunification in South Korea on 27 June.

The DJP plans to invite representatives of opposition parties, students, and figures of all walks of life in South Korea to discuss all issues related to North-South reunification in a completely open atmosphere.

Southeast Asia & Pacific

Wu Xueqian Urges Vietnam To Hold Talks on Cambodia
HK2006142088 Beijing ZHONGGUO XINWEN SHE
in Chinese 1240 GMT 20 Jun 88

[Report: "Wu Xueqian Says Vietnam Should Hold Talks With Sihanouk and the Democratic Kampuchean Coalition Government if It Has a Sincere Desire for Peace"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 20 Jun (ZHONGGUO XINWEN SHE)—Chinese Vice Premier Wu Xueqian today urged Vietnam once again not to pose itself as an outsider anymore as far as the Cambodian issue is concerned. If Vietnam has a sincere desire to settle the Cambodian issue, then it should open direct talks with Sihanouk and the Democratic Kampuchean coalition government, Wu said. As for Cambodia's internal problems, they should be solved by a quadripartite coalition government headed by Sihanouk on its own after the withdrawal of Vietnamese troops from the country.

Wu Xueqian met with a Philippine congressional delegation headed by Philippine Senate President Jovito Salonga this afternoon in Ziguang Hall, Zhongnanhai. Wu mostly talked about the Cambodian issue during the meeting, which lasted one hour.

Wu Xueqian noted that the Cambodian issue is the one that China is most concerned about among other hot spots in the world. He said: Now that the world situation is moving to detente, the Cambodian issue should develop in the direction of detente, too.

Wu Xueqian believed the crux to the Cambodian issue is that Vietnam must fix a schedule for withdrawal and then withdraw its troops as promptly and as soon as is possible. He said: China has noticed Vietnam's announcement on the withdrawal of 50,000 Vietnamese troops from Cambodia. But, as the Chinese old saying goes: We must not only listen to what a person says but watch what he does. Now we are watching what Vietnam is going to do. Vietnam should take real action to prove its words.

Wu Xueqian and Jovito Salonga also discussed the talks currently being held between the United States and the Soviet Union. Expressing China's welcome to the talks, Wu Xueqian especially mentioned two points: First, the current talks will be much more complicated than the talks on the INF treaty; and second, the reduction by 50 percent in the quantity of offensive-type strategic nuclear weapons that the United States and the Soviet Union are talking about and the reduction of the two nuclear powers' nuclear arsenals are two different concepts. Although China is maintaining a certain number of nuclear weapons, it will never use them to threaten any country, Wu Xueqian noted.

Sihanouk To Participate in Talks on Cambodia
OW2006213788 Beijing XINHUA in English
1451 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Democratic Kampuchean President Norodom Sihanouk said here today that he would take part in a proposed informal meeting on the Kampuchean question to be held next month in Jakarta.

He announced the decision in a statement when he arrived in Beijing today from Pyongyang together with his wife Madame Monique Sihanouk.

In the statement he described as "good news" the development that parties concerned in Kampuchea and Vietnam have agreed to take part in the meeting.

He said that he would ask the other three Kampuchean parties to seek a compromise which, he said, is imperative for a settlement to the Kampuchean question.

If these parties reach such a compromise or agreement, he said, he and his followers would unconditionally endorse it and put it into practice together with the other parties.

Upon his arrival at the Beijing Railway Station, Sihanouk was met by Vice Chairman Ngapoi Ngawang Jigme, vice chairman of the National People's Congress Standing Committee, as well as some foreign diplomatic envoys.

Meets Li Peng

OW2106153788 Beijing XINHUA in English
1425 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—Chinese Premier Li Peng said here tonight that the new Chinese Government and he himself will continue to support the Kampuchean people's just struggle against Vietnamese aggression, and consolidate and develop Sino-Kampuchean friendship.

He made the statement at a dinner he hosted in honor of Samdech Norodom Sihanouk, president of Democratic Kampuchea, and Madame Monique Sihanouk, who arrived from Pyongyang yesterday.

This was the first time Li Peng had met with Sihanouk since he became premier last April. He described Sihanouk as a "respected and familiar friend" of the Chinese people and expressed the hope that the Kampuchean question would be settled at an early date.

In reply, Sihanouk said he would make renewed efforts to strengthen the friendship and unity between the Kampuchean coalition government and the Chinese Government, as well as between the two peoples.

He said that the coalition government, which has been in existence for six years, is a united one in which the three parties conduct effective cooperation in political, diplomatic, administrative and military affairs.

Meanwhile, he said, Vietnam is confronted with grave difficulties as the Kampuchean people and resistance forces, backed by the whole world including China and the United Nations, have given telling blows to them on the battlefield.

In this situation, Vietnam has changed its attitude, agreeing to take part in the proposed informal Jakarta meeting to be held next month, Sihanouk said. He said that it is difficult to tell whether the meeting will produce any result.

He said that he has two firm principles with regard to talks on the Kampuchean question, namely, reconciliation among the Kampuchean people just like the reconciliation in those years when he was head of state of Kampuchea; and complete independence for Kampuchea.

Sihanouk thanked China for its consistent support for the Kampuchean people.

Present at the dinner were Li Peng's wife Zhu Lin, and Vice-Chairman Ngapoi Ngawang Jigme of China's National People's Congress Standing Committee.

Beijing Reports on Thai-Vietnamese Talks
BK1806114588 Beijing in Cambodian to Cambodia
1030 GMT 18 Jun 88

[Text] Our station correspondent reports from Bangkok that the talks between Thai Foreign Minister Sitthi Sawetsila and his Vietnamese counterpart Nguyen Co Thach were concluded in Bangkok on 17 June.

On the Cambodian issue, the two sides shared some common grounds but also have differences. After the end of the talks, Foreign Minister Sitthi Sawetsila said in a press conference the two sides agreed that the Cambodian problem should be resolved politically; the issue should be resolved by the Cambodian people themselves; the withdrawal of foreign forces from Cambodia is an important factor in resolving the Cambodian problem; and that the future Cambodia should be neutral and not be a threat to Thailand, Vietnam, and other countries. At the press conference, Nguyen Co Thach only repeated the same old words that Vietnam will pull out its forces in 1990.

Concerning the unofficial meeting in Jakarta, Sitthi Sawetsila noted that this is an important meeting. Nguyen Co Thach said he will attend the unofficial meeting in Jakarta.

Fail To Agree on Pullout
OW2006185988 Beijing XINHUA in English
0940 GMT 20 Jun 88

[Text] Bangkok, June 20 (XINHUA)—Vietnamese Foreign Minister Nguyen Co Thach said here today that Vietnam and Thailand failed to reach an agreement on Vietnamese troop withdrawal from Kampuchea.

Thach made the statement this afternoon before his departure for Hanoi after his talks with senior Thai officials including Prime Minister Prem Tinsulanon and Foreign Minister Sitthi Sawetsila.

According to Thach, the Thai side put forward the withdrawal of Vietnamese troops from Kampuchea as a common point which could be included in the agreement of their talks.

But Vietnam rejected the idea, saying that it could accept it "if it is a linkage to the liquidation to the Pol Pot forces and disarmament of the Pol Pot forces." "But the Thai side could not accept," Thach said.

Thach, however, said that he had reached a four-point common ground with the Thai side: 1. The Kampuchean problem must be solved through political means, 2. An independent, neutral and non-aligned Kampuchea and the right to self-determination of the Kampuchean people, 3. National reconciliation among the Khmer factions, and 4. Kampuchea should pose no threats to Thailand, Vietnam and any other countries.

Although Thach confirmed that he will join the proposed talks in Jakarta in late July, he insisted on joining the talks at a second stage with other countries.

Observers here noted that by doing so Vietnam tries to shake off its responsibility for invading Kampuchea and as a direct party for dragging on the conflict which has lasted over nine years.

Vietnam invaded Kampuchea at the end of 1978 and since then has kept over 120,000 troops there to fight the resistance forces.

Hun Sen Statement on Cambodian Conflict
OW1906113888 Beijing XINHUA in English
0656 GMT 19 Jun 88

[Text] Hanoi, June 19 (XINHUA)—Head of the Phnom Penh regime Hun Sen made a statement recently on the settlement of the Kampuchea issue in an attempt to maintain the gains of vietnamese aggression of Kampuchea.

Hun sen said: "We are not so naive or venturesome as to seek a solution which might lead to the abolishment of the regime and state of the People's Republic of Kampuchea".

Hun Sen is chairman of the Council of Ministers of the Phnom Penh regime installed by the Vietnamese authorities nearly ten years ago when they invaded Kampuchea.

He made the remarks which were published here today in a recent interview in Phnom Penh by Deputy-in-Chief of the Monthly Magazine "QUOC PHONG TOAN DAN" (ALL-PEOPLE'S NATIONAL DEFENCE) of the Vietnamese Army.

Hun Sen said that in practice the situation in Kampuchea "has already entered into a new stage: fighting while talking". "However the situation may evolve, with or without a political solution, what really is decisive is the strength", he said.

"As for the Phnom Penh regime", Hunsen Said, "the most important question is to build up powerful forces in order to be able to achieve all the objectives".

"If a political solution could be achieved," he continued, "the main thing we must strive for is to safeguard the gains of the revolution."

Observers here noticed that Hun Sen's strongly-worded statement was released when Hanoi announced the seventh partial pullout of Vietnamese troops from Kampuchea. Obviously, Hanoi has been launching a diplomatic campaign on the Kampuchea issue in order to extricate from its isolation in the world.

Wu Xueqian, Filipino Group Discuss Cambodia
OW2106015088 Beijing XINHUA in English
1525 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—China agrees with the Philippines and other ASEAN countries on the Kampuchean issue, said Chinese Vice Premier Wu Xueqian when he met a congressional delegation from the Philippines led by Jovito Salonga, president of the Senate, at Zhongnanhai here this afternoon.

Wu said that under the current international trend of detente, the Kampuchean issue should have a just and reasonable political settlement through efforts from all sides.

The key to the just and reasonable settlement of the problem, he noted, was the total pullout of Vietnamese troops from Kampuchea. He said that China had taken note of the Vietnamese declaration to withdraw part of its forces from Kampuchea, but "we will watch for actions".

Wu pointed out that Vietnam has given the Phnom Penh regime the power to command most of its own troops.

Wu stressed, Vietnam should pull out all its troops as soon as possible and as quickly as possible.

Wu said that another factor critical to the solution of the Kampuchea problem was that Vietnam should not regard itself as an outsider but a party concerned. It should have direct negotiations with Samdech Norodom Sihanouk and the coalition Government of Democratic Kampuchea if it really wants to solve the Kampuchea question.

The internal issue of Kampuchea, he said, should be settled by the quadripartite coalition government led by Sihanouk that will be set up following the Vietnamese withdrawal.

Salonga, Philippine Delegation Continue Visit

Interview Before Visit
HK2006151288 Beijing International Service
in Tagalog 1130 GMT 20 Jun 88

[Text] On the eve of an official visit to China as head of a Philippine congressional delegation, Senate President Jovito Salonga was interviewed by Chinese reporters in Manila. Salonga stressed the importance of Philippines-China relations and recalled the history of the development of relations between the two countries. He added that a primary objective of his visit was to try to understand the Chinese national economy in view of China's implementation of reforms and of opening up to the outside world in recent years.

Holding a copy of **FAR EASTERN ECONOMIC REVIEW**, Salonga told the reporters that he would like to learn about China not only from books but also from a first-hand look at new changes taking place in China. He said that it was necessary to conduct actual investigations in leading cities in China in order to acquire such first hand knowledge.

Salonga affirmed that the prospects for relations between the Philippines and China were bright, stressing the need for more frequent exchanges between the legislative bodies of the two countries. The Philippines will invite a Chinese parliamentary delegation to visit Manila in order to promote closer understanding between the two countries, he said.

In addition, Salonga looked forward to further cooperation between the two countries in the cultural and trade domains.

Meet With Li Peng
OW2106153188 Beijing XINHUA in English
1330 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—Chinese Premier Li Peng expressed appreciation of the Republic of the Philippines' firm stand on "one China" when he met a Philippine Congressional delegation at the Great Hall of the People here today.

The delegation is led by Jovito R. Salonga, president of the Senate.

Li said that the central government is against any "two Chinas" theories. The Taiwan authorities and Taiwan people are also against any such schemes, he said. "The central government considers the reunification of the country can gradually be achieved according to the concept of "one country, two systems".

Li said the central government wishes to further promote trade, communications and transportation links with Taiwan, including exchanges of personnel and promotion of mutual understanding. The central government welcomes Taiwan compatriots to invest in the mainland.

On bilateral relations, Salonga said that although the Philippines and China have different social systems, that will not hamper the development of the two countries' friendship and and relations of cooperation.

Li asked Salonga to convey his warm regards to Philippine President Corazon Aquino.

Wang Hanbin, vice-chairman of China's National People's Congress Standing Committee, was present on the occasion.

Australian Foreign Minister Meets Zhang Wenjin
OW2106022588 Beijing XINHUA in English
1458 GMT 20 Jun 88

[Text] Canberra, June 20 (XINHUA)—Australian minister for Foreign Affairs and Trade Bill Hayden today met the visiting president of the Chinese People's Association for Friendship with Foreign Countries, Zhang Wenjin, and held friendly talks with him.

During the 30-minute talks, they discussed matters of common concern. Hayden was especially interested in the on-going reforms in China and told the Chinese guests that he was looking forward to his visit to China in mid-July.

This will be Hayden's second visit to China in his capacity as the foreign affairs minister since August 1983.

Zhang also held talks with Stuart Harris and M. Lightowler, secretary and deputy secretary of the Department for Foreign Affairs and Trade.

Zhang Wenjin, who headed a four-member delegation, is in Australia on a 10-day visit. He is expected to leave Australia for New Zealand on June 24.

Australian Satellite System To Launch Satellites
OW1806091688 Beijing XINHUA in English
1506 GMT 17 Jun 88

[Text] Canberra June 17 (XINHUA)—The Australian Government has decided to let AUSSAT, Australia's satellite system, launch two new communications satellites to service the country's needs for the 1990s.

Announcing the approval of the project, Minister for Transport and Communications Gareth Evans said Thursday that the new satellites would replace the first two of AUSSAT's existing three satellites.

The existing satellites were launched in 1985 with design lives of seven years. But the new satellites will have an on-orbit life of 15 years.

"The existence of the satellite system has enabled the government to successfully implement major changes in broadcasting and AUSSAT's new satellites will further extend these developments" he said.

It is now possible for all Australians, no matter where they live, to receive at least the national (ABC) television and radio services. AUSSAT's new satellites will provide a significant stimulus for Australian industry especially in space and related high technology areas.

According to Australian Overseas Information Service today, the managing director of AUSSAT, Graham Gosewinckel, has named Hughes Communications International of Los Angeles as the successful tenderer to build the replacement B-series satellites to be launched in 1991 and 1992.

Senator Evans noted the new satellites would be more powerful than the first series. Design of the 2-series enabled them to be launched by alternative rocket systems.

He said a final decision on the launch vehicle would be made in September after further talks involving AUS-SAT, Hughes Communications International and launch operators.

There are a number of rocket systems tendered, including the American Titan-3, the European Ariane-4 and the Chinese Long March.

The upper limit of cost estimates is 645 million Australian dollars (about 516 million U.S. dollars). However, the cost of this project could be as low as 440 million Australian dollars (about 352 million U.S. dollars), subject to a decision to use the Long March launcher and approvals being granted by the U.S. Government and ACOCOM (the Coordinating Committee for Export Control), he added.

Beijing To Hold Trade Fair in Singapore
OW1906182188 Beijing XINHUA in English
1152 GMT 19 Jun 88

[Text] Beijing, June 19 (XINHUA)—Beijing will hold its biggest and most comprehensive economic and trade fair in Singapore, said "CHINA DAILY" today.

The fair takes place between July 21 and 26. The Chinese capital hopes it will help tap the potential market for export and cooperation with Southeast Asian countries, the paper said.

The fair, like those sponsored by Beijing in the United States and Holland last year, will focus on export trade talks. It will also deal with contractual and equity joint ventures, advanced technology, and investment from Singapore and other Asian countries in manufacturing projects in Beijing, said the paper, quoting Wang Guobin, a senior official from the Beijing Municipal Foreign Economic Relations and Trade Commission.

Export commodities at the fair will fall into 25 categories and 2,000 different products, including textiles, handicrafts, machinery, electronics and automobiles. New products will make up 20 percent of the goods on display.

"We will take about 2,400 shipping bills, and expect to clinch deals worth more than 15 million U.S. dollars," Wang said.

More than 130 co-operative items will be negotiated, mainly involving the electronics and machinery industries, agriculture, medical equipment and construction materials.

In recent years, Wang said, trade between Beijing and Singapore has grown rapidly, with last year's export volume topping 20 million U.S. dollars.

"We are holding the fair in Singapore because it is a major international entrepot port for Southeast Asian countries and its status is becoming increasingly significant," said Wang.

Drama Group To Perform at Singapore Art Festival
OW2006182088 Beijing XINHUA in English
0658 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—A 38-member theater group from the Central Academy of Drama of China will be taking part in the Singapore art festival that begins later this week.

The group, led by Xu Xiaozhong, president of the academy, will present two plays, one set in New China and the other in old.

The modern drama "Tales of Sangshuping Village", adapted from the award-winning novel of the same title by young writer Zhu Xiaoping, examines the vicissitudes of village life on the loess plateau.

The play was staged by the academy last winter and drew wide critical acclaim.

The other play is "The Tiger Tally" by Guo Moruo, one of modern China's greatest writers and historians.

The story, which took place in 257 BC during the Warring States Period, tells how the Kingdom of Wei helped the Kingdom of Zhao to baffle the infringement by the powerful Kingdom of Qin.

Near East & South Asia

Spokesman Denies Missile Sale to Syria
HK2106095088 Hong Kong AFP in English
0943 GMT 21 Jun 88

[Text] Beijing, June 21 (AFP)—China Tuesday denied a U.S. press report that it was about to sell state-of-the-art missiles to Syria.

"Such a report is groundless," a foreign affairs ministry spokesman told AGENCE FRANCE-PRESSE by telephone.

The U.S. magazine NEWSWEEK said in its latest issue that China was about to sell to Syria N-9 missiles, which have a range of 600 kilometers (372 miles) and which are 20 years ahead of China's Silkworm missiles, citing U.S. officials.

The sale could provoke "the worst crisis in U.S.-China relations in 10 years," NEWSWEEK said.

Beijing has regularly denied selling arms and Silkworm missiles to Iran, though western military experts say that such deliveries have been made.

Hu Qili Praises Moroccan Party's Efforts
OW2006233688 Beijing XINHUA in English
1423 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Chinese Communist Party (CPC) leader Hu Qili today praised the Moroccan Party of Progress and Socialism for its efforts in winning and maintaining national independence, in economic development and improving the Moroccan people's livelihood.

At a meeting with a delegation from the Moroccan party, Hu, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, noted that the two parties share each other's view on many important international issues.

He noted that satisfactory progress has been made in Sino-Moroccan cooperation in economic, trade, cultural, and other fields since diplomatic relations were established in 1958.

Delegation leader Mohamed Moucharik [name as received], who is a member of the Moroccan party's Political Bureau, said the delegation ten-day visit had enabled them to know more about China's current policies and their successes.

He said he believed that the visit was useful in bringing the two parties closer to each other.

Soviets Intensify Attacks on Afghan Resistance
OW2106080888 Beijing XINHUA in English
0743 GMT 21 Jun 88

[Text] Islamabad, June 21 (XINHUA)—Burhanuddin Rabbani, president of the Afghan Islamic Society, said that the Soviet-Kabul troops have stepped up their attacks on the Afghan resistance forces.

Speaking at a press conference yesterday in Peshawar, capital of Pakistan's Northwest Frontier Province, Rabbani said that operations against the mujahidin (holy-war fighters) have increased in both quantity and intensity since the start of the withdrawal of the Soviet troops.

The Soviet Union began withdrawing its troops from Afghanistan on May 15 in accordance with the UN-mediated Geneva agreement signed on April 14 by Pakistan and the Moscow-installed Kabul regime with the Soviet Union and the United States as guarantors.

Rabbani, who is also one of the leaders of the seven-party Alliance of Afghan Mujahidin, said that the Soviet Union and the Kabul regime have devised new offensive plans to crush the Afghan mujahidin.

He maintained that the pace of the withdrawal of the Soviet troops is slow and it does not alter the military situation.

Under the Geneva agreement, 50 percent of the estimated 115,000 Soviet troops should be pulled out from Afghanistan in the first three months and the rest within the six months following.

Moscow recently accused Pakistan of violating the Geneva agreement by allowing shipments of arms to the Afghan resistance forces and warned that the Soviet troops might slow down their withdrawal.

Rabbani opined that the Soviet Union is accusing Pakistan of violating the Geneva agreement only to pave the way for extending the stay of Soviet troops in Afghanistan.

Outcries against Islamabad for violating the Geneva accord are aimed at hoodwinking the international opinion and keeping its own designs in disguise, he noted.

Rabbani accused India of interfering in Afghanistan's affairs and backing the illegal and unconstitutional regime in Kabul.

India has kept silence on the Soviet invasion of Afghanistan and is the only country in South Asia to have close relations with the Kabul regime headed by Najibullah.

'Roundup' on Soviet Withdrawal From Afghanistan
HK1706121688 Beijing RENMIN RIBAO in Chinese
16 Jun 88 p 6

[("Roundup" by RENMIN RIBAO reporter Ren Yujun (0117 3022 7486): "Why Does A New Issue Occur When the Soviet Troop Withdrawal Has Just Started?"]

[Text] Islamabad, 14 Jun—It has only been less than one month since the start of the Soviet troop withdrawal from Afghanistan. The Kabul regime and the Soviet side have recently announced again and again that they would "slow down" or even "stop" troop withdrawal. The reason for this is allegedly that the Soviet Union and Pakistan have failed to observe the Geneva agreement to continue to supply the Afghan resistance forces with weapons.

It has still remained fresh in people's memory that when the Geneva agreement was signed, the American and the Soviet sides had not reached any agreement on military aid respectively provided by them to the relevant side which they supported. Obviously, this has left a long-term hidden problem to the Afghan situation. In view of the accusation by the Soviet Union and the Kabul regime, the Foreign Ministry of Pakistan has solemnly

issued a statement that Pakistan has strictly observed the Geneva agreement, and that it is neither responsible for any military action taken by Afghan resistance forces at home, nor able to prohibit the legal activities carried out by the three million Afghan refugees in Pakistan. In the meantime, the Pakistani side has also publicized a detailed list compiled by the UN Observer Group on the Kabul regime's troops invading Pakistani territory and air space. It has also pointed out that this is evidence that the Kabul side has failed to abide by the Geneva agreement.

The Soviet troop withdrawal from Afghanistan is a good thing which will benefit the Soviet Union and Afghanistan and their peoples. When the troop withdrawal started, they announced that it would be "slowed down," or even "stopped." The reason for doing so does not hold water. It seems there are facts which the Soviet Union and Afghanistan wish to hide.

It has been reported that when the Soviet troop withdrawal from Afghanistan started, the resistance forces refused to guarantee the safety of the withdrawing Soviet soldiers. But they have exercised great restraint in their actions. They have concentrated their efforts on recovering the lost territories and eliminating the military strength of the Kabul regime. It has also been reported that over the past month or so, the resistance forces have captured more than 10 counties, occupied scores of sentry posts, and seized a lot of weapons, ammunition, and facilities. The guerrillas of the Afghan seven-party coalition have also taken joint action to deploy their forces around the capital Kabul. They have established fortified points in order to form a ring of encirclement. They will launch an attack after the complete withdrawal of the Soviet troops. The second biggest Afghan city Kandahar, and Jalalabad, a city of military strategic importance in the southeastern part of Afghanistan, are also being surrounded. They are now like isolated islands. Leaders of the resistance forces have held divergent views on the time of attack. Most of them maintain that the "peach should be picked only after it is ripe," to avoid unnecessary sacrifice.

According to another report, the Kabul regime itself is unstable. Najibullah has recently changed his "prime minister," and appointed four "vice presidents" to show the "democracy" and "stability" of the Kabul authorities. Najibullah originally planned to visit Cuba and Czechoslovakia after attending the UN disarmament conference. However, he canceled his visit to Czechoslovakia. The reason for doing so was reportedly that the Karmal forces were "secretly planning a coup" to topple Najibullah. The Soviet side advised Najibullah not to leave his country for too long to avoid accidents.

In the second half of May, a general, who once worked for the defense ministry of the Kabul regime, and his son fled Kabul to join the resistance forces.

Diplomatic sources here have maintained that the present political and military situation mentioned above is the real reason the Soviet Union has announced that it will "defer," or even "stop" its troop withdrawal.

Sub-Saharan Africa

Li Peng Hosts, Meets With Ethiopia's Mengistu

Yang Shangkun Absent; 'Not Well'
OW2106130788 Beijing in English
to North America 0300 GMT 21 June 88

[Xiao Yong report from the Great Hall of the People, Beijing]

[Text] The Chinese Government accords President Mengistu the formal welcome reserved for any foreign head of state. Premier Li Peng substituted for President Yang Shangkun in presiding over the welcoming ceremony.

According to Foreign Ministry sources, the change in the Chinese host was because President Yang Shangkun did not feel well and was absent. It does not in any way lower the reception level for the Ethiopian leader.

China and Ethiopia used to have very close relations, and they have always regarded each other as allies in the fight against colonialism and international injustice. Back in the 1940's, during the Second World War, Chairman Mao Zedong once wrote an article calling on the Chinese people to learn from the Abyssinian people their guerrilla tactics against Italian fascists. Abyssinia was the country name of present-day Ethiopia.

However, the late [words indistinct] the two countries [words indistinct] mainly because of their policy differences toward the Soviet Union. But the [word indistinct] cooperation between the two countries never stopped. Chinese technicians and workers helped Ethiopians build highways and other projects, and in recent years China has joined international relief efforts to help famine victims in the northern African country.

President Mengistu's current visit will no doubt [words indistinct] Ethiopian relations. The Chinese Government has repeatedly stated that the policy of opening to the outside world applies not only to industrialized countries, but also to Third World countries like Ethiopia.

During the talks between President Mengistu and his Chinese host, economic cooperation is expected to be high on the agenda. The Ethiopian leader will also visit industrial cities of Shenyang and Shanghai and see for himself how economic reforms are carried out in China and the progress they have brought about.

Discusses 'Friendly Relations'
OW2006193888 Beijing XINHUA in English
1126 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Chinese Premier Li Peng met Mengistu Haile Mariam, Ethiopian president and general secretary of the Workers Party of Ethiopia, here this afternoon.

Li said that the Ethiopian president's current visit will further improve friendly relations and cooperation between the two countries.

Mengistu Haile Mariam expressed his belief that his visit will help strengthen the traditional friendship and cooperation between the Ethiopian Workers Party and the Chinese Communist Party and between the two countries.

Prior to the meeting, Li presided over a welcoming ceremony, on behalf of Chinese President Yang Shangkun, for the Ethiopian president who arrived earlier today.

Hosts Welcoming Banquet
OW2106003788 Beijing XINHUA in English
1421 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Chinese Premier Li Peng said here today that the Chinese and Ethiopian people enjoy a "time-honored and profound" mutual understanding and friendship.

"Cooperation between our two countries in the political, economic, cultural, scientific, technological and other fields has developed smoothly," he added.

"We firmly believe that with concerted efforts of both sides, the development of Sino-Ethiopian friendly cooperation based on the five principles of peaceful co-existence has very broad prospects."

Li made these remarks at a banquet he gave in honor of visiting Ethiopian President Mengistu Haile Mariam on behalf of Chinese President Yang Shangkun at the Great Hall of the People tonight.

He stressed that President Mengistu's current visit to China is an important event in the bilateral relations.

On the international situation, Li said the Chinese Government appreciates the fresh efforts made by Ethiopia and other countries on the Horn of Africa for easing and improving their relations.

"We hope that the situation of peace and stability in that region will be further consolidated and developed," he stressed.

The Chinese Government, firmly pursuing an independent foreign policy of peace, has taken the strengthening of unity and cooperation with the other Third World countries as the cornerstone of this policy, he said.

"China is ready to share experience with these countries so that we can learn from each other in developing our economies and building our nations," he said.

China is also willing to actively develop economic relations, trade, and scientific and technological cooperation with them under the principles of "equality and mutual benefit, stress on practical results, diversity in form and attainment of common progress."

The premier pointed out the prosperity and development of the Third World, to which China and the African countries belong, are of great significance for the maintenance and consolidation of world peace.

In reply, President Mengistu recalled the ancient contacts between the Chinese and Ethiopian peoples.

The two peoples, who have succeeded in maintaining their independence in a more recent era, he said, have been destined by history to march together.

He expressed the hope that the two countries will strengthen and expand their cooperation in various fields.

Touching on Ethiopia's relations with its neighbors, Mengistu said, "Part and parcel of Ethiopia's consistent foreign policy has been to create understanding and good neighborliness in the long-troubled Horn of Africa. Our persistent efforts in this regard have recently led to the taking of some measures that will lead to a lasting peace.

"Accordingly, meaningful talks have started with the Republic of the Sudan and the Democratic Republic of Somalia. Particularly the agreement signed with the latter and the resulting concrete measures taken, such as resumption of diplomatic relations and withdrawal of military forces from the common border, have paved the way for a durable peace in the area.

"The talks that are underway with the Sudan are also heading to a stage at which we can take concrete peace measures."

Discussing the general situation in Africa, the Ethiopian leader said: "We will not consider our independence complete until and unless the whole continent is freed from the shackles of racism and colonialism. It is therefore incumbent on us to continue to fight even more vigorously for the freedom of the oppressed people of South Africa and Namibia."

Among the hosts at the banquet was Vice Chairman Liao Husheng of the National People's Congress Standing Committee.

Holds Further Talks

OW2106101888 Beijing XINHUA in English
0933 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA)—Chinese Premier Li Peng said in talks here today with visiting Ethiopian President, Mengistu Haile Mariam that the world appears to be enjoying a relaxation of tensions to a certain degree, but peace-loving people must not lose their vigilance.

He told the president that China has made an important readjustment in its foreign policy over the past few years.

He said China holds that the danger of war still exists, but that the forces for peace in the world are increasing. As long as peace-loving countries and people continue their efforts, a world war can be avoided.

Li said China welcomes the signing of the intermediate nuclear forces treaty between the United States and the Soviet Union and the improvement of their relations.

However, he said, it is an arduous task to engage in disarmament, and nuclear disarmament in particular. "We are concerned about the superpowers' arms race extending into outer space and also about advanced scientific technology being used to further the arms race.

"At the same time, there are many hot spots in the world. Although the world appears to be somewhat quieter, those who love peace must not lose their vigilance," Li said.

The premier said China, a developing country, is working for the realization of its modernizations. It pursues an independent foreign policy of peace and hopes for a long-term international environment of peace.

Li said China is also pleased to note the improvement of relations between Ethiopia and its neighboring countries.

It is China's consistent stand that state-to-state disputes, particularly those among developing countries, should be peacefully settled through negotiations, he said.

Li said China and Ethiopia enjoy good relations and fast progress has been made in recent years.

He expressed the belief that the Ethiopian president's current visit would promote the growth of bilateral relations.

He also took the chance to express the Chinese Government's resolute opposition to South Africa's apartheid policy, and its sympathy with and support for the front-line countries in Africa in their struggle against that system.

China will do its best to support the African frontline countries' just struggle, he added.

Mengistu said the Ethiopian people admired the Chinese people's achievements, history, civilization and spirit of dedication.

He also thanked the Chinese people and government and the Chinese Communist Party for their aid to Ethiopia in its times of need.

The president said he had looked forward to his China visit for a long time and was eager to view for himself the experience that the Chinese people have accumulated over many years.

He stated that during the visit the two sides will explore the possibilities of cooperation in new areas.

Talks were also held today between Chinese Foreign Minister Qian Qichen and his Ethiopian counterpart Berhanu Bayeh, and between Yan Mingfu, member of the Secretariat of the CPC Central Committee, and Ashagre Yigletu, member of the Secretariat of the Ethiopian Workers' Party.

Defense Minister Hosts Zambian Military Group
OW2006153788 Beijing XINHUA in English
1156 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA)—Qin Jiwei, Chinese state councillor and defense minister, hosted a banquet here today for a military delegation from Zambia, headed by Alex Kaunda Shapi, secretary of state for defense and security.

This morning, Qin held a welcoming ceremony for the guests.

Qin and Shapi held talks in the afternoon and briefed each other on the situation in their own countries as well as the construction of their armies.

They also exchanged views on issues of common concern.

CPC's Hu Qili Briefs Zairian Delegation
OW1806113688 Beijing XINHUA in English
1057 GMT 18 Jun 88

[Text] Beijing, June 18 (XINHUA)—Hu Qili, member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, met a delegation of the executive secretariat in charge of cadres' ideology and training of the Zairian Popular Movement of the Revolution (ZPMR) here today.

The delegation is led by Kangafu Vingi Gudumbangana, member of the ZPMR Central Committee, executive secretary in charge of cadres' ideology and training and president of the ZPMR party school.

Hu briefed the visitors on the policies the Chinese Communist Party had pursued since 1978, stressing the principle of applying and developing Marxism in accordance with China's actual conditions.

'Jottings' on RSA's Extended Emergency State
HK2106053888 Beijing RENMIN RIBAO in Chinese
14 Jun 88 p 6

[“Jottings” by Ke Yuelin (2688 2588 7207): “What Is the Use of Another Year's Extension?”]

[Text] The “state of emergency decree” has been in force in South Africa for two years now. According to South African President Botha, the implementation of the “state of emergency decree” has “successfully” reduced “turmoils” in South Africa's black townships, hence the South African authorities have decided to extend the decree for another year.

What is the significance of the extension of the “state of emergency decree”? It means that the activities of the 18 anti-apartheid organizations including the United Democratic Front and the Azanian People's Organization will continue to be suppressed; it means that the police will still arbitrarily arrest and detain any person considered suspicious; it means that news reporting will continue to be strangled.... Summing up, the South African authorities can use it to strengthen their repression of the black people and impose punishment on charges of “violation of the decree” at the slightest provocation, in the hope of killing the struggle of the South African people.

However, it is quite doubtful whether this move was as “successful” as Botha had boasted. The fact that he had to extend the “state of emergency decree” for another year indicates that the people of South Africa did not bow to the pressures of the racists and that the anti-apartheid struggle continues to grow. Otherwise, the Botha regime would not have to resort to this infamous tactic to maintain its own barbaric racist rule.

The anti-apartheid struggle of the South African people is a just one, and as such, it has won enormous sympathy and assistance. The recent charity concert held in London, in which hundreds of famous pop singers participated in honor of South African black leader Nelson Mandela, was warmly applauded all over the world, and the audience was estimated at an unprecedented 400 million. Confronted by the South African peoples' struggle and its vigorous support by the people of the world, what is the use of another year's extension of the “state of emergency decree”!

West Europe

Culture Minister on 'Friendly Mission' to UK
OW2106004088 Beijing XINHUA in English
1403 GMT 20 Jun 88

[Text] London, June 20 (XINHUA)—Chinese Minister of Culture Wang Meng said here today that cultural

exchanges between China and Britain have been going on smoothly in recent years and he saw a promising prospect in this field as both sides have many interests in common.

Wang Meng, who starts an official visit to Britain today at the invitation of Britain's Minister for the Arts, Richard Luce, told a press conference that cultural exchanges between China and Britain have been expanded since they signed an agreement on cultural cooperation in 1979.

He called his visit "friendly mission" because he saw no major problems in cultural cooperation between China and Britain and that things have been going on "fairly well" under the 1979 agreement.

The agreement, which has to be negotiated every two years, covers a wide range of areas including literature, publication, television, film, performing arts and museums.

According to the agreement, bilateral exchanges involve not only individuals and small artistic groups, but also larger ones such as ballet troupes.

China's Central Ballet came to Britain in 1986, which was followed by London's Sadler's Wells to China early this year.

But Wang Meng said that in addition to the large groups such as ballet and Peking Opera, he preferred more visits by smaller groups because they are easy to organize and less costly.

He would also like to see more exchanges of personnel at a higher level, such as writers and artists, he said.

Shanghai Orders Swedish Telephone System
HK2106140588 Beijing CEI Database
in English 20 Jun 88

[Text] Shanghai (CEI)—Shanghai, China's largest industrial and commercial city, has ordered from a Swedish firm a 4,000-line program-controlled long-distance telephone exchange system.

The new system, to be installed in the Shanghai Telecommunications Building, is expected to be put into operation in the fourth quarter of this year.

With the new system in operation, Shanghai is expected to sextuple its long-distance telecommunication capacity.

East Europe

Polish Communique on Messner's Visit Cited
OW2106050688 Beijing XINHUA in English
0158 GMT 21 Jun 88

[Text] Warsaw, June 20, (XINHUA)—The Polish Council of Ministers has instructed governmental departments to analyze Chinese economic reform measures and the possibilities to use the Chinese experience in the second phase of economic reforms in Poland.

The official Polish news agency PAP reported today that Polish Premier Zbigniew Messner briefed the Council of Ministers on his recent visit to China.

The council's communique emphasized the great importance that both Poland and China attach to strengthening economic, trade, scientific, and technological cooperation for mutual benefit by such means as joint ventures.

The communique said the council instructed government ministries and other institutions to work out a schedule and put forward suggestions for extending cooperation with China according to the program for scientific and technological development between the two countries through the year 2000.

Latin America & Caribbean

Beijing Symposium Focuses on Latin America
HK2106053288 Beijing RENMIN RIBAO in Chinese
12 Jun 88 p 6

[Dispatch by reporter Yao Chuntao (1202 2504 3447): "International Symposium on Latin America Held in Beijing"]

[Text] An international academic symposium on "Latin America in the '90s" was held in Beijing from 8 to 10 June under the sponsorship of the Latin America Research Institute of the Chinese Academy of Social Sciences.

Taking part in this symposium were more than 20 veteran scholars and experts on Latin American studies from five countries, including China, Brazil, Peru, Chile, and the United States.

The agenda of the 3-day meeting was extremely tight. The scholars and experts first gave brief presentations of their papers and then launched into heated discussions where everyone expressed his or her opinions in a very animated atmosphere.

All 24 papers concentrated on the analysis of two major problems: peace and development. Some Chinese scholars believed that the political situation in Latin America has undergone enormous transformation in the past

10 years, as characterized by greater unity among Latin American states and a new breakthrough in the movement for integration. Moreover, with the turnover of power by the military, the democratic process continues to develop in Central America, and through efforts from various sectors, hope for peace has surfaced. Seen in the light of changes in the entire international situation, the scholars believed that the political situation of Latin American countries in the 1990's would continue to move towards positive development, but they also believed that economic prospects were not bright, because development would be hampered by heavy

foreign debts. On the other hand, some foreign scholars considered their Chinese counterparts' views on the political future of Latin American states as excessively optimistic, while their views of economic development were considered too pessimistic. They pointed out that the element of instability continues to grow in Latin American states, while the development of the world situation is unpredictable. The foreign debt issue is not all that frightening, and as long as it is properly dealt with and the right policies are adopted, it is not entirely hopeless for Latin American states to experience the same development as in the 1970's.

'No Plans' To Devalue Currency
OW2106124588 Beijing XINHUA in English
1227 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — China has no plans at present to devalue the renminbi (RMB) against major foreign currencies since it is expecting to reduce its foreign trade deficit this year, an exchange control official said here today.

Li He, deputy chief of the Exchange Rate Division of the administration, made the remark at the ongoing China-U.S. joint session on industry, trade and economic development.

She told American reporters that exchange control for a long time played only a minor role in China's national economy since China was closed to the outside world.

With the execution of the open policy and the reform of the price and foreign trade system, the overvalued Chinese currency (RMB) needed adjustment and more flexible policies were adopted, Li said.

The rate was adjusted to 2.79 RMB to the dollar in January 1985 and the rate has been 3.7 RMB to the dollar since July 5, 1986.

CPC Central Committee Approves Cadre Evaluation
OW2006002788 Beijing XINHUA Domestic Service
in Chinese 1357 GMT 16 Jun 88

[By reporter Hu Qinghai]

[Text] Beijing, 16 Jun (XINHUA)—This reporter just learned at a press conference held by the Organization Department of the CPC Central Committee today that, with the approval of the CPC Central Committee, China will institute an yearly evaluation system for local party and government cadres, beginning this year.

During a briefing at the press conference, Liu Zepeng, deputy director of the Organization Department of the CPC Central Committee, said: Since the 3d Plenary Session of the 11th CPC Central Committee, the various local party committees, organization and personnel departments have widely experimented with reform of the cadres performance evaluation system. According to available statistics, since 1983, the various localities and departments have evaluated over 270,000 cadres, based on their ability and political integrity, of which, over 30,000 are prefectural and provincial department-levels; over 120,000 are county and section-level; and over 120,000 others are enterprise leading cadres. Over 2.6 million cadres and masses have participated in the democratic evaluation process. The various localities have also widely conducted democratic evaluation of members of the leading bodies at various levels. Since 1986, over 185,000 leading cadres have been evaluated,

including over 10,000 prefectural and provincial department-level, over 120,000 county and section-level, and over 55,000 enterprise leading cadres.

He said: Based on the experience gained from the experimental reform of the cadre management system in various localities and in cooperation with a number of local organization departments, the Organization Department of the CPC Central Committee drew up a "(Provisional) Annual Evaluation Plan for Leading Party and Government Cadres at the County (City, District) Level" as well as a "(Provisional) Annual Evaluation Plan for Leading Cadres of the Local Government Departments" in 1987.

Liu Zepeng said: Evaluation targets for the "(Provisional) Annual Evaluation Plan for Leading Party and Government Cadres at the County (City, District) Level" are elected cadres. Under this system, a higher level leading organ is charged with the responsibility of evaluation with the participation of all members of the county (city, district) party committee and of the Standing Committee of the county (city, district) people's congress. During the evaluation, responsible persons of departments concerned, as well as mass representatives will be asked to participate. The basic steps for evaluation are: first, the higher level responsible departments will audit and check the performance of the subject county (city, district) in fulfilling its social, economic, and cultural programs, and then publish their findings. Next, the cadre being evaluated will report on his or her work. Then the cadre's performance is evaluated through a process of democratic discussions in nine categories, namely, "implementation of principles and policies," "knowing subordinates well enough to assign them jobs commensurate with their abilities," "exercising organizational leadership," "promoting unity, cooperation, and understanding," "fulfilling own job assignments," "work attitude," "on matters of principle," "on democratic work style," and "honesty." Then, in accordance with the results of the above process, the subject cadre's performance is rated as outstanding, competent, essentially competent, or incompetent. At the same time, the performance of the leading body as a whole is also evaluated and rated. Finally, the results of evaluation are fed back to the cadre being evaluated, as well as to the cadres and masses participating in the evaluation, and are reviewed.

He said: The evaluation targets of the "Annual Evaluation Plan for Leading Cadres of Local Government Departments" are appointed cadres. The system requires that a senior leader be in charge of the evaluation; and that guidance from higher level organs and supervision by the organ's party organ and the masses be fully accepted. The basic steps are: The responsible leader will in charge; the evaluatee reports on his or her work, which is subjected to mass appraisal; after fully hearing the masses' views, the leader in charge will then evaluate the evaluatee's performance in the following 10 categories, namely, "policy and theoretical level,"

"ability in performing one's own job," "ability in organization and coordination," "ability in comprehensive work coordination," "ability in assigning subordinates to suitable jobs," "ability in oral expression," "ability in written expression," "work attitude," "concept of law and discipline," and "ideas in reform and pioneering," and rate the evaluatee's performance as outstanding, competent, essentially competent, or incompetent; and finally, the evaluation results will be fed back to the evaluatee and reviewed.

Article Reviews Deng Xiaoping's Status
HK2106003288 Beijing LILUN YUEKAN in Chinese
No 5, 25 May 88 pp 28-29

[Article by Zi Shang (1311 1424): "A Paragon of Moral Integrity of Our Time"]

[Text] Comrade Deng Xiaoping is one of the proletarian revolutionaries of the older generation who have withstood the test and enjoyed worldwide prestige. Although he has undergone much suffering and all kinds of hardships throughout his life, he has never been concerned about his personal status or humiliation, gain or loss. He has racked his brains and spared no efforts to realize the four modernizations to rejuvenate the Chinese nation. As the chief architect of China's modernization, he believes that "the careful selection of successors" is "of strategic importance and will have profound consequences for the long-term interests of our party and our state" ("Selected Works of Deng Xiaoping" p 194.) On several occasions since the 3d Plenary Session of the 11th Central Committee, he has loudly appealed for the contingent of cadres to be revolutionized, younger in average age, better educated, and professionally more competent, and proposed that a primary duty for veteran cadres is to bring up thousands upon thousands of reliable successors to the revolutionary cause. He has exerted great efforts to achieve this, and repeatedly laid bare his mind within and outside the party. With deep feelings of "worrying about the nation, the people, and the party," he made a speech at a meeting of cadres of the rank of vice minister and above from the central party, government and army organizations, and said to the participants of the meeting: "I'd retire right now if the party would let me. I really mean it. That's the truth. But in the interest of our cause as a whole I can't retire yet, nor do I think you would agree to me doing so. I feel keenly that the question brought up today is of overriding importance. We must look to the future, for our cause will affect generations to come." ("Selected Works of Deng Xiaoping" p 199.) In answering the questions of the Italian journalist Oriana Fallaci on 21 August 1980, Deng Xiaoping explicitly expressed his intention of retiring in the year 1985. On 2 September 1986, he gave a television interview with U.S. journalist Mike Wallace. When Wallace asked: "You are China's paramount leader and major advisor, how long do you plan to stay in that position?" Without hesitation, Deng answered: "I am all for abolishing the life-tenure system; moreover, I have advocated the retirement system. As you know,

when I talked with Fallaci (the Italian journalist,) I said that I would keep on working until 1985. Now I have gone a year beyond that deadline. I am thinking about when I should retire. Personally, I hoped for an earlier retirement. However, this is a rather thorny problem, for it is very difficult to convince the party and the people. I believe, it will be more favorable for the continuity of the existing policy if I retire before my life runs out, and this falls in line with my persistent belief." ("RENMIN RIBAO" 15 September 1986.) Comrade Deng Xiaoping has advocated the abolition of the life-tenure system and the implementation of the retirement system; moreover, he has set us an example.

To actively push forward the implementation of Central Committee leading organs being younger in average age, Deng Xiaoping stated, back in October 1986, that this has been one of the three most important topics since the 3d Plenary Session of the 11th Central Committee. In making preparations for the personnel arrangement of the 13th party congress, Comrade Deng Xiaoping took the lead in consulting with Comrades Li Xiannian and Chen Yun on their ultimate retirement, and refraining from taking whatever posts. At the 7th Plenary Session of the 12th Central Committee in October 1988, the voice for him to remain at his paramount leadership post was at its summit. On several occasions, Comrade Deng Xiaoping gave his answers, and repeatedly explained why he must retire, the reasons he gave may be summed up as follows:

First, as he was getting on in years he should guard against any accident. Comrade Deng Xiaoping said that, first, it seems that I am in rather good health, and my brains are still working well; anyway, I am 83 this year. I can't tell when my health will fail me, then I shan't be able to take care of state affairs. Second, the Central Committee should set an example. Comrade Deng Xiaoping said that, if I should remain in the post, things would be rather difficult for the implementation of the agreement between Li Xiannian, Chen Yun, and me, the "three old men." If the Central Committee should fail to set an example, then nobody would retire. And third, we should consider whether it is favorable to the continuity and stability of the line since the 3d Plenary Session of the 11th Central Committee. Comrade Deng Xiaoping said that, it will not do if I do not retire. If old people remain at their posts, new people would never come up. The number of positions is limited, when they are occupied, the others have to stand there waiting. If new blood fails to move up, our party will become aged, and those in leadership will all become men in their late seventies or eighties. Things can be rather dangerous under such circumstances. When we finally retire, young people will take up the leading posts, but they will not be seasoned enough for the jobs. Such a state of affairs will be very unfavorable to implementing the line since the 3d Plenary Session of the 11th Central Committee. And fourth, it will be favorable to implementing the retirement system and the abolition of the life-tenure system. Comrade Deng Xiaoping said that, our retirement is

favorable to maintaining the continuity and stability of the line since the 3d Plenary Session of the 11th Central Committee as well as the genuine implementation of the retirement system.

Under such circumstances, the Central Committee personnel ad hoc group finally found a solution which is called "semiretirement," namely, part retirement as a transition to full retirement after some time. But even such a "semiretirement" was not acceptable to Comrade Deng Xiaoping at the beginning. It was only through repeated consultations that he finally agreed to retain one single position as chairman to the Military Commission, on the condition that someone be selected as first vice chairman of the Military Commission, who would be capable of taking up the job quickly, and he proposed Comrade Zhao Ziyang hold that post. Then the personnel ad hoc group solicited the opinions of Comrade Li Xiannian and Chen Yun; both agreed to their "semiretirement." At the same time, the other "four old people" Peng Zhen, Deng Yingchao, Xu Xiangqian, and Nie Rongzhen unanimously proposed their own full retirement. Regarding this, Comrade Zhao Ziyang stated at a Presidium meeting of the 13th party congress: We should respect and accept the will of Comrade Xiaoping and the other comrades. We, the Presidium Standing Committee, originally the comrades of the Central Committee Political Bureau and Secretariat have thought that it would be favorable and helpful for Comrade Xiaoping to remain in the leading core. Such is, likewise, your unanimous opinion. But Comrade Xiaoping has all along disagreed with such a view. To my mind, our consideration is reasonable. However, Comrade Xiaoping stands higher and sees farther than us in his thinking, which starts from the long-term interests of our party. Starting from party building, it is necessary to set up a retirement system to avoid the party's ageing. This is a major policy as well as a major reform. Comrade Xiaoping's thinking is precisely starting from this point. He probably believes that if this issue is not resolved at a time when he is still in good health and able to embody this policy with his own practical action, it is hard to tell whether our party will genuinely resolve it in the future. In this sense, the thinking of Comrades Xiaoping and other old comrades has shown great foresight. This is strategic thinking starting from the long-term interests of our party.

Some comrades are worried that with Comrade Deng Xiaoping retiring from the leading core of the Central Committee, his role in decisions on major domestic and world issues might be affected. Comrade Zhao Ziyang has pointed out that, Comrade Xiaoping's role is not decided by whether he remains in the Central Committee Standing Committee or the Political Bureau. Comrade Xiaoping has been the decision-maker on major issues of our party and state since the 3d Plenary Session of the 11th Central Committee. Although he has not been the party's chairman or general secretary, he has actually steered the wheel throughout these years. This is universally acknowledged in or outside the party, at

home and abroad. Comrade Xiaoping's accomplishments and role do not depend on his posts. The role and effects of his status as the decision-maker of major issues of the party and state, namely the status of the chief architect of China's modernization as in the eyes of foreigners will never be changed so long as he remains in good health, and his brains continue to work well.

Through ample discussions, the 13th party congress of representatives unanimously agreed to the "semiretirement" of Comrades Deng Xiaoping, Li Xiannian, and Chen Yun, and the full retirement of Comrades Peng Zhen, Deng Yingchao, Xu Xiangqian, and Nie Rongzhen. Brought along by the revolutionaries of the older generation including Deng Xiaoping, the 13th party congress made an important stride toward leading organs at the central level being younger in average age. The average age of the 285 newly elected Central Committee members and alternate members is 55.2, which is 3.9 years younger than the average age 59.1 of the 12th Central Committee members and alternate members at the time when they were elected. Of the 348 12th Central Committee members and alternate members, 150 were not reelected to the 13th Central Committee.

Revolutionaries of the older generation including Deng Xiaoping, who have taken the lead in retiring from the Central Committee and Central Committee Political Bureau, have set an example, which is of historical significance for the leading organs at the central level to become still younger in average age, and for the replacement of the old by the new in leading organs, thus guaranteeing the healthy development and the stability of the nation over a long period in the future. The whole party and people of the whole nation are showing heartfelt admiration for their moral integrity and broad vision.

Zhao Ziyang Visits Shanxi, Urges Greater Reform
*OW2106060488 Beijing Domestic Service
in Mandarin 0930 GMT 18 Jun 88*

[Text] Zhao Ziyang, general secretary of the CPC Central Committee, pointed out during his inspection of Shanxi from 14 to 17 June: Each locality has its own favorable conditions for developing a commodity economy, and even places that do not have any natural resources but have labor are no exception. All localities should pay attention to taking full advantage of their own favorable conditions.

After the 2d Plenary Session of the 13th CPC Central Committee, the Shanxi Provincial CPC Committee and Provincial Government sent some personnel to study the economic practices of coastal regions. The Shanxi authorities have pointed out that Shanxi, as a province with rich natural resources in the central part of the country, should open itself wider to the coastal regions and establish closer economic ties with them.

After being briefed on this in Shanxi, Zhao Ziyang said: This is a good idea. Shanxi has favorable conditions for developing energy, raw and processed materials, and heavy chemical industries. In the past, people did not think it was worthwhile to develop raw and processed materials industry in Shanxi. This was because we were practicing a product economy then. Now that we are developing a commodity economy, Shanxi should take advantage of coastal economic development needs to energetically develop a raw and processed materials industry and a heavy chemical industry. Such a road will lead to a great future, and there is much to gain from it.

On developing relations between coastal and interior regions, Comrade Zhao Ziyang said: It is impossible for coastal regions to develop while interior regions remain underdeveloped. Coastal regions will not be able to accelerate development if interior regions are underdeveloped. In developing a commodity economy, the worst thing to do is to merely copy what others are doing. If an area does not have the necessary conditions and insists on copying another area in developing an export-oriented economy, a light textile industry, or a high-technology industry, it is bound to fail. Coastal economic development requires raw materials from interior regions. This has provided a very good opportunity for interior regions that have rich resources in raw and processed materials. At the same time, funds and technology can be transferred to interior regions from coastal regions, and this will promote the development of natural resources and the economies as a whole of the interior regions.

Zhao Ziyang said: In the past, our country's economic development was poor. There was no division of labor among the different regions, an important factor for the poor results. The reason we did not practice a transregional division of labor was because we were practicing a commodity economy then. Now the situation is different, interior regions should take advantage of their own favorable conditions and the transregional division of labor to do what is worthwhile and to participate in the domestic market. They should make up for weaknesses with their strengths through commodity exchange in the course of developing a commodity economy.

On 15 June, Zhao Ziyang inspected the Pingshuo open-cut coal mine and was briefed by the Datong Mining Bureau. He inquired about reform at the Pingshuo mine which is the largest coal mine in China.

Zhao Ziyang said: Reform has entered a crucial stage. We must begin to deal with the more difficult parts of reform, such as price and wage reform. In order to solve price and wage problems, we must further deepen enterprise reform. If enterprises are not reformed, society will not be able to endure price and wage reforms. If we do not carry out price and wage reform, we will not be able to build a new economic structure nor create a favorable environment or conditions for deepening enterprise reform.

Zhao Ziyang said: In order to reform the internal mechanisms of enterprises, we must first conscientiously reform their labor system. Many state-owned enterprises are overstaffed, particularly on their second-line work posts. If we do not enforce strict management to deal with the inefficient work force, the quality of our nation as a whole will be affected.

Zhao Ziyang said: Some large state-owned enterprises are very dependent. However, village and town enterprises are different. Their operating mechanisms are very good, and they assume sole responsibility for profits and losses and have a keen awareness of competition for survival. Some large state-owned enterprises only take credit for profits and do not assume responsibility for losses, and they are not aware of competition. State-owned enterprises, particularly large enterprises, should make great efforts to reform their internal mechanisms.

**Article Reviews Zhao Meeting With Peasant
HK1906020088 Beijing LIAOWANG in Chinese
No 22, 30 May 88 pp 4-6**

[Article by Mao Zhicun (3029 5268 1317): "The General Secretary and Peasant Entrepreneur"—first paragraph is LIAOWANG introduction]

[Text] When Comrade Zhao Ziyang recently discussed with peasant entrepreneur Chang Zonglin a number of important problems arising in the growth of township and town enterprises such as the economic collaboration of township and town enterprises and development of export-oriented economy, he pointed out: The introduction of the share system benefits economic collaboration of township and town enterprises. It is necessary for township and town enterprises to standardize their relations with townships so that they can be given independence in marketing commodities. In the course of development, enterprises may purchase shares from each other and amalgamate with each other so as to become groups of enterprises step by step.

At the end of April the CPC Central Committee General Secretary Zhao Ziyang went to Shandong to investigate and study the development of the export-oriented economy along the coastal areas as well as other problems including the party's style of work, political and ideological work, education and commodity prices. Accompanied by the Shandong Provincial CPC Party Committee Liang Buting and Governor Jiang Chunyun, on 30 April he made a special trip to Mouping County to call on outstanding peasant entrepreneur Chang Zonglin. The general secretary and the peasant entrepreneur discussed problems such as the economic collaboration of township and town enterprises and development of an export-oriented economy.

Chang Zonglin is well-known as a peasant entrepreneur throughout the country. At Ximouli village where he lives, there are now six different trades such as textile,

machinery processing, construction and building, commercial services, transportation and fish breeding and poultry raising, as well as 24 enterprises. Now these enterprises have taken their place in the international market. In cooperation with foreign investors, the Xinmou "International Enterprise Corporation" was set up, the first of its kind in the rural areas of Shandong Province; three of this corporation's products are on sale in 40 countries and regions. When he had discussions with 10 extraordinary peasant entrepreneurs of the country at Zhongnanhai on 6 September of last year, he met Chang Zonglin.

After visiting some peasant families at Xinmouli village, the general secretary dropped by a chuck workshop of a machine tool accessories plant, jointly run by Xinmouli village and the Hohhot Machine Tool Accessories Plant. Seeing workers at the workshop doing intense but orderly work, Comrade Zhao Ziyang asked Chang Zonglin: "What products are they turning out? What about the quality?" "Our product is chuck which is well-known as Universal Brand. Our factory is the second largest in the country, with an annual output value of more than 8 million yuan, with 40 percent of its products exported to over 40 countries and regions," replied Chang Zonglin.

At a woollen mill, Comrade Zhao Ziyang visited a carding workshop and an automatic mule workshop. The two workshops were extremely clean and no leftover bits and pieces were seen and no noise was heard at all. Only a few workers were attending to a fully automatic production line. Pointing at a machine, the general secretary asked: "Which country is the equipment from?" Chang Zonglin replied: "We imported the first-class woollen machines from the Yingya Woolen Industrial Company, a well-known British woollen enterprise. The carding machines on the first floor are from Britain and the automatic mules on the second floor are from Italy." "Are all products exported?" "Yes, they are." "What percentage of Angora rabbit hair does the woollen piece have?" "Some 20 percent and some 40 percent." "Are two workers enough to look after an automatic mule with 480 spindles?" "Yes, two workers are quite enough as the machine is almost fully automatic." "Besides rabbit hair woolens, are there any other products?" "Yes, we also have ready-made clothes made from our woollen material." Happy to hear this, the general secretary said: "Good, very good."

After visiting the factory, the general secretary and his party went back to the Qilin Guest House at Xinmouli village. At a meeting hall of the guest house, Chang Zonglin briefed the general secretary on the basic situation at the village and a plan to develop the export-oriented economy. He said: "In 1985 Central Government Document No. 1 made it clear that new types of trade-industry-agriculture enterprises should be developed in the two peninsulas (referring to the Liaodong and Shandong peninsulas) and the two deltas (referring to the Changjiang and Zhujiang Deltas). Some cadres of

our village sat down and discussed what trade-industry-agriculture enterprises really meant? After pondering it for a long time, we finally came to realize that it actually meant to develop the export-oriented economy."

Hearing this, the general secretary said with hearty laughter: "Oh! You have really studied the problem seriously."

"Introduced by some people, I got acquainted with some friends, including a friend from the Yingya Woolen Industrial Company. After many rounds of talks, we signed a compensation trade agreement with the company."

The general secretary asked: "At that time what did foreign investors take as the basis for believing you and accepting you as their partner?" "At that time we already had some factories. We think this is the basis."

"One thing more is that they investigated our reserve strength in foreign trade," added Dong Chuanzhou, secretary of the Yantai City Party Committee.

Chang Zonglin said with full confidence to the general secretary: "We are now planning to develop machinery and electrical appliances while expanding the textile industry. Machinery and electrical appliances are our weak links and they have great export potential. To expand the textile industry, we are prepared to produce wool fabric and process ready-made clothes. Meanwhile, we intend to boost our textile industry in cooperation with a cotton-producing village in Huimin prefecture. In this way, we will become stronger and stronger. We are also looking to the international market. We are planning to run a wool-washing plant in a wool producing country and bring back worsted yarn washed in the plant for intensive processing."

The general secretary praised: "This is a good idea. Will you cooperate with foreign businessmen again?"

"Yes, we will."

At this moment Comrade Liang Buting broke in and said: "Bits and pieces left over from washing wool are treasures. One is wool waste, which can be processed into beautiful and highly finished products; the other is lanolin, which is a kind of high-grade chemical raw material."

Chang Zonglin pointed out: "In addition to our export of machine tool accessories, rabbit hair yarn, and foundry goods, we will earn a total of U.S.\$10 million by 1989."

The general secretary asked those who were present: "U.S.\$10 million is not a small figure. His original basic figure was U.S.\$2 million and now it is U.S.\$8 million more. Then how will you share the extra amount?"

"We have decided to divide 20 percent to you (referring to the Central Government), 10 percent to Governor Jiang (referring to the provincial government), 35 percent to foreign trade departments at the provincial, prefectural and county levels, and the remaining 25 percent to the city government. Then the city government will share 20 percent with the county government. If he is offered decision-making power in foreign trade in future, he will be able to get 55 percent, that is equivalent to over U.S.\$4 million." These humorous remarks made by Yu Zhengsheng, Mayor of Yantai city, made all who were present, including the general secretary, burst into laughter.

Chang Zonglin continued: "To expand the export-oriented economy, transport is a hard problem. Our company has a ship bound for Qingdao, Shanghai and Guangzhou but is not allowed to go to Hong Kong and Macao directly. During 3 years of sailing, we have accumulated some experience and have had a well-organized crew. Could we apply to sail the ship direct to Hong Kong and Macao?"

"Oh! that is good." The general secretary smiled and agreed with what Chang Zonglin had said.

When Chang Zonglin finished speaking, Comrade Zhao Ziyang said: "May I ask you a question? Your company is based on a village-run enterprises and has become so big. According to your practical experience, how do you think our township and town enterprises will fare?"

"They are just burgeoning and their potential is inexhaustible. In the past 2 years township and town enterprises in different areas have been developing and this is a general trend. Such a development trend will play an important role in developing the rural economy, setting people's minds at rest and promoting stability and unity. Without a given material basis, our effort to build spiritual civilization in the rural areas will be in vain and become nothing but empty theorizing."

Chang Zonglin continued: "Some concepts in society should be changed. Whenever township and town enterprises are mentioned, some people immediately say they are enterprises of peasants, which can do nothing but waste energy and raw materials. In their eyes, peasants remain as they used to be seen in old films, with a white towel wrapped around their heads, pulling a tumble-down cart, and working as a farm laborer. Such thinking should be changed. Township and town enterprises are indeed a vital new force in national economic construction."

Comrade Zhao Ziyang asked again: "Township and town enterprises appear in a township or a village; will there be an amalgamation trend in the future?"

Chang Zonglin replied: They have started amalgamating with each other. Out of force of habit, governments of some townships and towns still want to keep these

enterprises in their areas. They like to be complacent over a small achievement. For the time being, the trend of amalgamating with each other and acting in concert has not appeared but I think the trend of amalgamation is irresistible."

Comrade Zhao Ziyang asked again: "Will the implementation of the share system help such amalgamation? For example, the relations of township party committees and governments with enterprises should be standardized. Of course, enterprises should not separate themselves from townships and villages completely because they were set up by townships or villages. However, their responsibility, power and interests must be thrashed out. The relationship of an enterprise with (a township or village) as well as its power and obligations should be made clear, so should the amount of investment, shares, and cash which may turn into shares in future of a (township or village). In this way, an enterprise is independent in business and a trend of combination will appear. This can also avoid unnecessary repetition of some projects between township and town enterprises and help readjust the structure of production. Otherwise, whenever something is much sought after, all enterprises are aroused to precipitate action; and whenever something is not well-liked, all enterprises are disinterested. With the development of township and town enterprises, cities will also develop. If this problem is resolved, then township and town enterprises will be able to purchase each other's shares. For example, if an enterprise develops rapidly, other enterprises may purchase its shares. If shares are purchased between the enterprises, are they combined with each other? When the structure of production is readjusted, step-by-step individual enterprises will become associations of enterprises. Is it possible that township and town enterprises may sell their shares to different townships, villages and departments?"

"Yes, it is quite possible."

"In the future, township and town enterprises may sell their shares not only to townships but also to large enterprises and foreign investors. When a dividend of 2,550 yuan is distributed to a village shareholder, he can get part in cash and part in shares. These stock shares can be bequeathed as a legacy to later generations."

Chang Zonglin said: "We also have an idea of exporting funds. When we develop to a certain scale by 1992, we may make an investment of 10 or 20 million yuan in other enterprises."

"Yes, this is a good idea. It will also be possible that if an enterprise develops well with a certain number of qualified personnel, it can annex another one. Meanwhile, it may also buy shares of other enterprises and take part in their management."

At this moment, one person broke in: "The essential prerequisite is that there must be an experienced entrepreneur."

Zhao Ziyang said: "Yes, you are right. To attract investment, an enterprise must win a high reputation first. Does any one like to invest in a mismanaged enterprise?"

Dong Chuanzhou said: "This also applies to government-run enterprises. If an open bid is made on the principle of fair competition, many enterprises will make investments in my city."

The general secretary said: "It is good to make investments in his city. In competition, however strong you are, there is always someone stronger."

Cracking a smile, Ma Shizhong, Vice Governor of Shandong Province, said: "Our general secretary, are you afraid that money of the west will flow to the east?" Comrade Ziyang said: "I am not afraid. When the east is well-developed, maybe it will make investments in the west. Anyway, whatever we do, we must meet the needs of production."

Chang Zonglin stated: "Our Shandong Province is now opening up its eastern part while developing its western part. Opening up brings development and development promotes opening up."

The general secretary pointed out: "Some problems are independent of man's will. The mechanism of some township and town enterprises is fairly good. Some problems cannot be solved in government-run enterprises but are finally solved in township and town enterprises. Today, it is important that all township and town enterprises standardize their relations with the townships they are located in and strive to become independent in management. This is particularly important for the coastal areas. New associations of enterprises in the coastal areas will inevitably establish ties with foreign investors. In the final analysis, the best trade partners in China are township and town enterprises. Our scientific and technological departments and their staff have now come to realize that the best targets for their services are township and town enterprises. Why? the most important thing is that they mean what they say. They can strike a bargain on the spot if necessary. In addition, their efficiency is superior, their mechanism is relatively flexible, their economic results are better, and their demand for science and technology is higher than government-run enterprises. For this reason, products by township and town enterprises are updated more quickly than those of other enterprises."

The general secretary was asking questions and listening to what others said. He did not know it was past noon until others reminded him that it was time for lunch. Finally, he had a simple meal with Chang Zonglin and other people at Xinmouli village.

Li Peng Inspects Shandong County
OW2006202088 Beijing XINHUA Domestic Service
in Chinese 0726 GMT 20 Jun 88

[By XINHUA reporter Liu Deyu and DAZHONG RIBAO reporter Sun Yurong]

[Text] Jinan, 20 Jun (XINHUA) — A new mechanism for the input of investment and scientific research efforts should be established to develop the plain covered by the Huang He, Huai He, and Hai He valleys, said Li Peng, premier of the State Council, on his tour to conduct investigations and studies in Yucheng County, Shandong Province, on 17 and 18 June.

On 17 June, Premier Li Peng made an on-site inspection of a comprehensive experimental zone for combating drought and waterlogging and for improving saline and alkaline soil in Yucheng County. He was accompanied by responsible comrades of the departments concerned, including Chen Junsheng, state councillor and concurrently secretary general of the State Council; and Du Runsheng, director of the Central Rural Policy Research Center.

The Yucheng County Experimental Zone was established as early as 1966. At that time, the county was badly plagued by such natural adversities as drought, waterlogging, and alkaline and sandy soil. On the instruction of Premier Zhou Enlai, Fan Changjiang, then vice chairman of the Scientific and Technological Commission, led some 100 scientific and technical personnel to Nanbeizhuang in Yucheng County, where they set up this experimental zone for transforming low-yield fields and reclaiming saline and alkaline land prone to drought and waterlogging. Through 22 years of efforts, the more than 130,000 mu of alkaline and sandy land in this experimental zone, which used to be prone to drought and waterlogging, has shown improvement in all aspects. Now the land can be irrigated in the case of drought, and excessive water can be drained when there is too much rainfall. Stretches of land are neatly divided into square plots which are surrounded by trees. The output of grain and cotton has been boosted to a great extent. A comparison between the 1987 output and the records registered in 1966 when the experimental zone was set up reveals that the average grain production rose from 180 jin to 1,250 jin per mu, the average cotton output climbed to more than 150 jin per mu, the peasant's per capita net income increased from 40 yuan to 650 yuan, and the percentage of forest cover grew from 3 to 18 percent. Prior to the establishment of the experimental zone, the local masses used to rely on the state to supply from 3 to 4 million jin of grain each year under the state's unified sales program. Now they contribute about 8 million jin of commercial grain and some 60,000 dan of commercial cotton to the state annually.

After the on-site investigation conducted in the Yucheng Experimental Zone, Li Peng said in delight: The concerted efforts made by the scientific and technical personnel of the Chinese Academy of Sciences, the Chinese Academy of Agricultural Sciences, and other scientific research units together with the vast number of local cadres and masses have brought about a radical change in the outlook of this experimental zone. The successful results scored here have provided useful experience for the development of the whole Huang-Huai-Hai Plain and even for the development of agriculture nationwide. He continued: Of the 290 million mu of farmland on the Huang-Huai-Hai Plain, 80 percent is medium and low-yield fields. In addition, there is some 10 million mu of uncultivated land that can be reclaimed for farming. Through land reclamation and improvement, it is possible to raise the output of grain, cotton, cooking oil, meat, and vegetables to a considerable extent. We pin hopes on the Huang-Huai-Hai Plain for China's agricultural development.

Comrade Li Peng also inspected the new test areas made up of transformed sandy and waterlogged land that have come into being in recent years. Within only a relatively short period, these test areas have become noted for the good results they have achieved.

Comrade Li Peng said: To make a success of the development of the Huang-Huai-Hai Plain, we should establish a new mechanism for the input of investment so as to use operational means to achieve successful improvement and development. Funds used for development should be raised through numerous channels, such as state, local, collective, and individual sources. This should also include the exploitation of foreign funds. Interest should be paid for the use of the funds, and arrangements made for the funds to revolve and circulate so that a virtual cycle will be established step by step. In this regard, Yucheng County has done pretty well. In only a few years it has recouped 67 percent of the foreign funds used in agriculture. Part of this has been used for repayment of loans, while the rest is being used as circulating funds for developing new areas.

In addition, Comrade Li Peng stressed: Science and technology can play a big role in the work of making comprehensive efforts to combat drought and waterlogging and improve saline, alkaline, and sandy soil. Without science and technology as the vanguard and guide, it would be impossible to achieve success in developing the Huang-Huai-Hai Plain. In this regard, we should have a series of comprehensive and well-coordinated policies aimed at attracting more scientific and technical personnel to rural areas. Achievements in science and technology should be linked to the remuneration, titles, and promotion of the scientists and technicians who have made the achievements. Honorable and material rewards should be given to those who have scored significant achievements in science and technology so as to make it a general practice to respect knowledge and talented people. While soliciting scientific and technical

personnel to work in rural areas, we should also let the scientific research units concerned receive benefits so as to stir up their enthusiasm as well. Governments and scientific research units at all levels should encourage scientific and technical personnel to go to the forefront of agricultural production to do experimental work and apply the successful results of their experiments on a wide scale. They should see to it that these personnel will foster a sense of responsibility and honor for their work aimed at serving our country.

Comrade Li Peng pointed out: While attracting scientific researchers from other places to join the local development work, it is necessary to attach importance to the utilization and training of local people. County schools should straighten out their thinking about running schools. The main purpose of running schools should be training qualified people for local production and construction. If they cannot meet this requirement, it will be very hard to apply the achievements of agricultural science and technology on a wide scale in the future.

Comrade Li Peng said: In developing the Huang-Huai-Hai Plain, it is necessary to attach importance to the layout of the overall development program. At first, we should carry out those projects that require less investment but give quick results. We should choose easy jobs to do before taking up difficult ones and use the returns from short-term projects to finance the long-term projects. Moreover, we should let peasants receive material benefits on a continuing basis from the development program so as to arouse their initiative and enthusiasm to take part in this program. The reason for doing this is that the success or failure of the development program hinges on the peasants' enthusiasm, in the final analysis.

Liang Buting, secretary of the Shandong Provincial CPC Committee, and Shandong Governor Jiang Chunyun accompanied Premier Li Peng and the other comrades in conducting the investigations and studies.

Noncommunist Party Adopts Political Program
OW2106021288 Beijing XINHUA in English
1403 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — The China Democratic National Construction Association [CDNCA] added a political program into its charter at the second session of its Fifth Congress here today.

The program stresses taking the basic line of building socialism with Chinese characteristics as the guideline of action and devoting itself to the development of the economy, politics, China's unification and international affairs.

It is the first political program any of the eight Chinese non-communist parties has ever adopted. Before, they took the general program of the Chinese People's Political Consultative Conference [CPPCC] as their political program.

Today's meeting also defined the association as "a political party formed by personnel from economic circles and relevant specialists and scholars, featuring political federation and serving socialism."

Originally, the definition was "a democratic party formed mainly by Chinese national industrialists and figures from commercial circles."

The meeting also adopted a method for the election of the association's Fifth Central Committee — an election with more candidates than posts at first and then an election with an equal number of candidates and posts.

CPC Central Committee Greetings
*OW2106083788 Beijing XINHUA Domestic Service
 in Chinese 1155 GMT 16 Jun 88*

[Text] Beijing, 16 Jun (XINHUA) — CPC Central Committee Greetings Message to the Fifth National Congress of the China Democratic National Construction Association [CDNCA]

The Fifth National Congress of the CDNCA has opened ceremoniously. The CPC Central Committee wishes to extend its warmest congratulations to the congress and to express its highest respects to honorary CDNCA Chairman Hu Juewen, all leading comrades of the CDNCA Central Committee, all representatives attending the congress, and all members of the CDNCA!

The CDNCA is a friendly party which has cooperated closely with the CPC for a long time. Since its last congress, the CDNCA has accomplished a great deal of work in all fields with exceptional results. The CDNCA Central Committee and its local organizations have played an important role in the management of state affairs, in political consultations, and in democratic supervision. To serve the requirements of the central tasks — economic construction, reform, and opening to the outside world — they have achieved remarkable results in conducting investigation in special fields; making suggestions; offering consultative services; training proficient personnel; supporting construction in frontier areas inhabited by people of minority nationalities; and assisting in developing foreign economic relations and trade. They have also made positive contributions to spiritual construction in society; promoting democracy and law; and promoting friendship with compatriots in Hong Kong, Macao, and Taiwan and with Overseas Chinese.

Since the convening of the 3d Plenary Session of the 11th CPC Central Committee, the CDNCA has worked with the CPC in building a socialist society with distinctive Chinese characteristics, and we have forged even greater unity and cooperation. Owing to their splendid performance and great efforts, comrades of the CDNCA have been acclaimed by the people, and they have played an important role in accomplishing the general mission of

the state; in consolidating China's political system characterized by multiparty cooperation; in developing socialist democracy and law; and in broadening the patriotic united front. The current CDNCA Congress will discuss the current situation; set future principles and missions; continue to promote cooperation between new and veteran members; and build the CDNCA into a stronger association. We believe that the congress will enable CDNCA to fulfil its historical mission even more successfully under the new situation.

China's socialist modernization is proceeding steadily. Over the last 9 years our reforms have made significant headway and achieved remarkable results; production has been increasing rapidly; revenues and receipts of foreign exchange are growing; and our economic prowess has become even stronger. However, as reforms continue to deepen, we have come face to face with certain formidable but unavoidable problems. Reforms in China have reached a crucial stage. We must seize the opportunities that history has now placed before us; continue to implement the principle of expediting and deepening reforms; proceed despite winds and waves; and deal with reform problems firmly and reliably. Through restructuring the economic and administrative systems, we will gradually build a new order that keeps pace with the socialist commodity economy. Workers, peasants, intellectuals, and other working personnel and all patriots in the country must therefore rally even more closely; seek unity in thinking; make concerted steps; heighten their spirit; work with one heart and one soul; wage arduous struggle; and work resolutely to push forward the nation's reforms, opening up, and socialist modernization. Our patriotic united front should unite all forces that can be united, mobilize all positive factors, and make new contributions to ensuring normal progress in reform and opening.

Under the new situation, all democratic parties are now given new assignments to build a socialist society with distinctive Chinese characteristics — a grand objective set by the 13th CPC National Congress for people of all nationalities in the country. As for all democratic parties, which are important forces of the patriotic united front, we will firmly implement the general policy of "long-range coexistence, mutual supervision, showing utter devotion to each other, and sharing weal and woe"; gradually perfect the system of multiparty cooperation and consultation under the CPC leadership; and give full play to the roles of democratic parties in the state's political life. We hope all democratic parties will work hard with our party in all quarters to create a stable society in which reforms can proceed smoothly. We believe the CDNCA will rally its members and their friends to make new contributions in expediting reform, opening up, and socialist modernization!

Comrades, let us raise the two banners — socialism and patriotism — even higher and work hard to build a socialist society with distinctive Chinese characteristics and to achieve the grand objective of rejuvenating China and reunifying the motherland!

We wish the Fifth National CDNCA Congress complete success!

[Signed] CPC Central Committee

[Dated] 16 June 1988

CPPCC Religious Affairs Committee Meets
*OW1906142788 Beijing XINHUA Domestic Service
 in Chinese 0805 GMT 16 Jun*

[Text] Beijing, 16 Jun (XINHUA)—The Religious Affairs Committee of the CPPCC National Committee held its first session today at the CPPCC auditorium. The session discussed the General Rules for the Work of the Religious Affairs Committee and the 1988 Work Program of the Religious Affairs Committee (Draft).

The session was presided over by Zhao Puchu, vice chairman of the CPPCC National Committee and chairman of the Religious Affairs Committee.

The Religious Affairs Committee is a working body which organizes members' regular religious activities under the leadership of the Standing Committee and the chairmanship meeting of the CPPCC National Committee. It will practice "freedom of religious belief" as stipulated in the Constitution, uphold the principles of "long-term coexistence and mutual supervision" and "treating each other with all sincerity and sharing weal and woe," give full play to socialist democracy, conduct consultations on an equal basis, and promote unity. Its tasks are: to study, publicize, and implement the principles of reform, opening to the outside world, and invigorating the economy as well as related policies and laws; to establish close ties with representative figures of religious circles and listen to and reflect their opinions and suggestions on major policies of local and central authorities; to organize religious circles to look into and get acquainted with how well the state's religious policy is being implemented, study existing problems in this regard, and make suggestions to state organs and other organizations concerned; to promote contacts with people of religious circles in Hong Kong, Macao, and Taiwan with the aim of contributing to the peaceful reunification of the motherland; and to develop friendly exchanges with people of religious circles in various countries so as to enhance mutual understanding and friendship.

Vice chairmen of the Religious Affairs Committee An Shiwei, Zong Huaside, and Li Yuhang were among those attending the session.

Increase in Crime Said Result of Socio! Changes
*HK2106052588 Beijing CHINA DAILY in English
 21 Jun 88 p 4*

[Text] The increase in urban crimes is believed to be one result of the great social changes that are sweeping China.

Crimes are taking on new characteristics. They are more violent and bloodthirsty and are committed by more sophisticated means, according to an article in *Sociology Journal*.

More juvenile delinquents are involved in offences and more offences are committed by well-organized groups.

A survey on the proportion of crime involving juveniles in China's 22 major cities shows that, of the total registered cases, offences by young people were 18.1 percent in 1972, 22.4 in 1973 and 31.2 in 1976.

The figure now has risen to 60 to 70 percent and on the basis of its absolute number and the ratios of criminal offences show signs of climbing still higher. These statistics were released at a recent international seminar in Shanghai.

China is not the only nation suffering from this problem. It is true that offences by the young are tied to economic changes and social upheavals.

Take Japan for example. Delinquency held steady when the country was recovering economically from the chaos and destruction of World War II. But since the mid-70s, when the country's economy began to soar, juvenile delinquency has risen steadily.

In China, the crime problem is considered extremely serious. Most of the cases are related to money and sex.

Today's young criminals were born in the late 1960s or early in the 70s. They were brought up in the years when the State was recovering from political turmoil and adjusting itself from class struggle to economic construction.

Not adequately educated, many teenagers resorted to various means, including stealing and robbing, to get more money. Their misunderstanding of some social phenomena incited them to criminal acts.

As for sexual offences by the young, pornographic publications and pictures are mainly to blame. Nearly all sexual crimes by the young are related to their indulgence in pornographic video shows or vulgar publications.

The development of high technology and popularization of mass communications also have made it easier for criminals, especially the young, to commit serious crimes using sophisticated methods.

In 1985, for instance, a self-employed individual was cajoled by one of his friends into trying out a "walkie-talkie device." This turned out to be a home-made, remote-controlled bomb and he was killed.

The sophistication of urban criminals is also seen in that more assaults are made by organized gangs. Criminals today have access to guns, poisons, vehicles and even computers, instead of simple tools like knives, ropes and bars.

To make the matter even worse, more criminals are taking advantage of modern transportation and carrying out a series of robberies and assaults in one city then moving on to another. At present, such roving criminals comprise 10 percent of the total in the average cities, but as high as 40 percent in coastal cities.

Crimes with new characteristics bring a greater menace to society and add troubles to public security departments of all levels. Security officials are looked upon as the only guard of social stability.

But since the root of the problem lies within the social environment, all of society should be aroused to take on the responsibility of maintaining social stability.

Commentator Urges Elimination of Corruption
HK1706141488 *Beijing LIAOWANG in Chinese.*
No 22, 30 May 88 p 3

[Commentator's article: "Eliminate Corruption, Encourage Honesty"]

[Text] At the first plenary State Council meeting of the new government, Premier Li Peng put forward the demand "be an incorrupt official" as the first and foremost requirement for the "new government and new style of work." When Shanghai's new municipal government was formed, it was stressed at the first routine session that leading cadres above bureau level should set an example of honesty in performing their duties, and relevant specific regulations were worked out. Li Rui-huan, mayor of Tianjin, also said at the first meeting of his new government that a new government should develop a new style of work. To be free from corruption in carrying out one's official duties, one must first of all subject himself to discipline and treat his children, wife and secretary in the same way. He should also treasure his position and keep a clean personal record. He should be impartial in handling a matter and refrain from bullying others on the strength of his position. He should try to act as an honest and upright official rather than a corrupt one. Shenzhen city government has recently stipulated, from the second half of this year, principal officials of the city government should regularly make public their properties and balance sheets. They must accept supervision by the masses to make sure they are honest officials. It is clear now that the campaign to keep the party and government organs from corruption is a major event drawing more and more attention.

The demand "be an incorrupt official" hits where it really hurts and enjoys immense popular support. The mission before us now is: A charter should be drawn up where there is none and measures should be mapped out

where a charter exists. We must match our deeds to our words and persevere, initiating a new and real atmosphere of "being honest in performing official duties". To make empty promises, to ignore the law and fail to enforce the law strictly in fact amount to conniving at corruption. Failure to enforce the law and to prevent malpractices from happening again and again is a reason for developing corruption.

At present, a few public officials of certain departments knowingly violate discipline, or even pervert justice for a bribe. For example, a few public officials here and there refuse to handle affairs until their palm is greased, and only do their jobs at random even when they have accepted bribes, completely negating national law and party discipline. This can neither be considered a question of occupational morality, nor a question of unhealthy tendency, but a question of dereliction of duty. To leave the corruption unchecked will certainly alienate the people's government from the broad masses and deprive the government of popular trust.

Corruption and degeneration were a chronic malady in the old China. The New China brought to a complete halt to this age-old malpractice to the solid satisfaction of the people across the land. Why has this abuse found its way back to some administrative offices or executive offices of ours today?—"Why have the once beautiful flowers fallen into decay today?" There are, it seems, many reasons for it: First, being now in a new period in which the new system is replacing the old system, China's product economy is being transformed into socialist commodity economy. The old system suited to the product economy has gradually become out of place, while the new system compatible with the socialist commodity economy is still in the making. In such a period, there are bound to be some contradictions, conflicts and loopholes in the links in the law, the system and the economic operations. As a result, some opportunists have availed themselves of the loopholes in a big way and lined their pockets with public funds. Second, China is now undergoing economic reform and pursuing an open policy. While this policy creates a favorable environment for our economic construction and helps us absorb advanced technology and administrative expertise, Western malpractices and rotten ideas break through, eroding some people's mind. Such being the case, if one is off his guard and is not immune against temptation, it is not at all surprising that he degenerates like "the orchid changes and loses its fragrance" or "changes into wild grass".

It goes without saying that external environment constitutes a condition for change, yet it is the internal cause that is primarily accountable for a qualitative change. Some of our comrades, even responsible comrades, fail to stand against the material temptation of the dazzling human world and are defeated by sugarcoated bullets. At present, some cadres give little heed to major principles, nor do some party cadres pay attention to the argument of strengthening party spirit. It is precisely for this

reason, however, that some of them commit various mistakes. They even go so far as to make use of their authority to make money, or take their position as a ready source of money, ending up in prison for committing a crime and dereliction of duty. A handful of degenerates cast to the winds the personal integrity requisite to party members and state personnel, and the national and collective interest. They benefit themselves at the expense of others and seek private gain to the detriment of the public, sticking to their personal interest like a fly adhering to rotten meat.—"How can you stand among the beauties after abandoning your strong points?" as a Chinese saying goes.

Some people attribute corruption of a certain kind to the reform, alleging the former is a by-product of the latter. This is not correct. All this corruption is diametrically opposed to the reform. The objective of the reform is to develop our social productive forces, and build China into a socialist country with distinctive national features. Corruption is detrimental to development of productive forces and is out of tune with socialism. It is precisely the target of the reform. One of the important contents of the reform of our political system is to keep the administration from corruption and prevent the state personnel from making use of their powers in their interest.

Some say the embezzlement and bribery on the part of the state personnel is due to minimal wages. This allegation has something to recommend it, yet it is not entirely true. Our existing wage system is unreasonable and really leaves much to be desired. The current invisible form that part of the payment takes, or the hidden portion as it is otherwise known, varies. The state personnel receive little or no extra payment, and something irregular with regard to wages is in evidence. The solution to this problem admits of no further delay, but it should, in no way, be held responsible for corruption and bribery. For example, China was in quite good order during the 100 years following Hongwu's rule despite the very low wages the officials of the Ming Dynasty received, while the Song Dynasty was rife with corrupt officials whose evil doings are described at length in relevant historical records, even though they drew the most handsome payments in the feudal past, as well as bounties wantonly issued by the monarch. The same is also clearly born out by the fact that the overwhelming majority of our comparatively low-paid state personnel are clean. All civil servants must check erroneous ideas at the outset, refuse to be contaminated by evil influence, observe discipline, abide by the law, and be devoted to their duty.

To eliminate corruption and strengthen discipline as well as to encourage honesty and integrity, what matters is that we should, apart from working out a law or a charter to go by and strengthening the education of the state personnel, place ourselves under surveillance by the broad masses. Some rules for performing duties should be made public so that the masses can gain easier access to the work of government departments. At the same time we should set up a supervisory committee to keep

an eye on the administration. At present, the wishes of the masses are that the supervisory departments, the departments for inspecting discipline and the judicial departments should really go into action to swat the "flies" and catch the "tigers" no matter where they are and no matter who they are. Everything for investigation should be investigated, and no leniency is allowed. With all this done, the country will be in great order and the people will be happy.

Commentator Discusses Productive Forces Criterion
HK1706144888 *Beijing BAN YUE TAN* in Chinese
No 10, 25 May 88 pp 4-5, 6, 7

[Commentator's article: "It Is Good To Launch This Discussion"]

[Text] Soon after firecrackers were set off to usher in the year of the dragon, voices of heated discussions were again heard all over the country. As if by prior agreement, party committees in many localities have made decisions or issued circulars to launch the studies and discussions of the criterion of the productive forces.

What is the criterion of the productive forces? As Comrade Zhao Ziyang put it in his report to the 13th Party Congress, "helping to expand the productive forces should become the point of departure in our consideration of all problems, and the basic criterion for judging all our work should be whether it serves that end."

This cannot but make people recall the discussion conducted a decade ago. Beginning in May 1978, a discussion on the criterion of truth was launched throughout the country. It enabled many people to shake off the spiritual shackles of Lin Biao and the "gang of four" and the ideological fetters of the "two whatevers," and restored the true feature of the Marxist theory of knowledge. The 3d Plenary Session of the 11th CPC Central Committee set a high value on the discussion, holding that "it is of far-reaching significance in urging all party comrades and the people of the whole country to emancipate their minds and rectify their ideological line."

Practice mirrors history. We can say that all measures of reform and opening up put forward and implemented over the past 10 years are the outcome of the emancipation of the mind. Ten years ago, the practice of fixing farm output quotas for each household in the rural areas was repudiated as capitalist. If we still stubbornly clung to the "two whatevers" and were ideologically ossified, would it be possible for the specialized households and country fairs to emerge in the rural areas? Would it be possible for such new things as the contract system, leasing, stocks, and bonds to emerge in the cities? Would it be possible for the urban and rural economy to thrive? Obviously, it would have been impossible to achieve all this.

On the basis of summing up the rich practice of reform and opening up, the 13th Party Congress put forward the theory on the initial stage of socialism, putting the criterion of the productive forces in the first place and further emancipating the minds of the party and the people from the theoretical plane.

By centering on the issue of the criterion of the productive forces, the ongoing discussion has grasped the kernel of implementing the guideline of the 13th Party Congress and the party's basic line in the initial stage of socialism. We can also say that it is the continuation and deepening of the discussion on the criterion of truth held 10 years ago and that its aim is to promote the reform and opening up and the speedy realization of the economic development strategy.

From the discussions in various places, we have gained three common experiences:

1. We first make clear in theoretical terms the basic tenet of Marxism on the productive forces, make a clear distinction between scientific socialism and utopian theory, and make clear the relationship between the productive forces on the one hand and the theory on the initial stage of socialism, the theory on the planned commodity economy, and the criterion of truth on the other. We have defined the following viewpoints: 1) The productive forces are the eventual force determining all social development; 2) Raising labor productivity is, in the final analysis, the most important thing to ensure the victory of a new social system; 3) the growth of the productive forces is the highest criterion of social progress; and 4) whatever is conducive to the growth of the productive forces is in keeping with the fundamental interests of the people and is therefore needed by socialism and allowed to exist. Conversely, whatever is detrimental to this growth goes against scientific socialism and is therefore not allowed to exist.

2. We place the focus of discussion on further emancipation of the mind, take the productive forces as a criterion to further discard "leftist" and outdated concepts, and foster new concepts. There is a question worth reflecting: Although the reform and opening up have considerably emancipated people's minds, there are still certain markets for outdated conventions and concepts. Why is it that, when a reform measure is put forward, some people always are doubtful whether it is socialist or capitalist? This is a "leftist" strabismic habit formed over the years, which makes people pay attention only to the relations of production rather than the productive forces when something should crop up. Some reform measures are obviously conducive to the growth of the productive forces but why is it that some people dare not confirm them? Some reform measure are obviously detrimental to the growth of the productive forces but why is it that some people dare not abolish them? The cause lies in the fact that they have deviated from the productive forces, which is an objective criterion. The reason for people to lean to one side at one moment and

to another the next when observing the situation and understanding the policies has something to do with the fact that they have a weak concept on the criterion of the productive forces.

During the discussions, some localities have, in light of the realities, found out the principal manifestations of their failures to fully emancipate the mind and, in light of the criterion of the productive forces, defined five ideological problems to be solved: 1) Discard the idea of divorcing from reality and just listening to the higher-up or follow what is said in books and foster the idea of daring to proceed from reality and to conduct reforms in a creative way; 2) discard the idea of being satisfied with the existing state of affairs and of inertia and foster the idea of continuing to forge ahead and aiming high; 3) discard the idea of sticking to conventions and being afraid to take risks and foster the idea of daring to blaze new trails and make a breakthrough; 4) discard the idea of staying in a rut and closing ourselves to the outside world and foster the idea of being oriented toward the world and opening up boldly; and 5) discard the idea of conducting extensive operations and looking down upon science and technology and foster the idea of giving priority to science and technology and taking education as the foundation. Third, it is necessary to integrate emancipation of the mind with studying conditions in our provinces, cities, and counties and putting forward economic development strategies for our locality or unit and with our efforts to deepen the reform. That is to say, we should study, discuss, and act simultaneously. We should not remain the same old self after studying documents many times. We should not speak or act in the same old way or utter words without putting them into practice. After holding discussions in conjunction with the study of the economic development strategy for the coastal areas put forward by the central authorities, people have become more active ideologically and have strengthened their sense of urgency. They pay close attention to investigating and studying conditions in their counties, cities, and provinces in a planned way, look for their strong points, as well as defects, and reconsider, readjust, and redefine the economic development strategies for their localities and units. Some cities have set forth principal measures for rejuvenating the economy of their cities and mobilized all the workers and staff members to suggest ways and means for the economic rejuvenation of the cities.

The discussions, which have just started, are developing in depth. It can be expected that the studies and discussions on the criterion of the productive forces will certainly stimulate further liberation of the productive forces.

Nationwide Birth Control Survey Slated for 1 Jul
HK2106053388 Beijing CHINA DAILY in English
21 Jun 88 p 1

[By staff reporter Cheng Hong]

[Text] Fertility and birth control will be the topics of a nationwide survey to be conducted in China on July 1.

Peng Peiyun, minister in charge of the State Family Planning Commission, said more than 2 million married women will be surveyed—between 40,000 and 100,000 in each province and municipality.

Questions will deal with birth-related questions, such as the mother's age when she gave birth, abortions, infants who died, and use of birth control methods.

Answers to the more than 100 questions will reflect the situation both nationwide and in each province, region and municipality.

The survey is being sponsored by the State Family Planning Commission, the State Statistics Bureau, the State Planning Commission, the Ministry of Finance and the Ministry of Public Security.

China's family planning policy is facing a severe test as the 360 million people born from 1962 to 1975 begin to reach marriage age.

The country has conducted a census in 1954, 1963 and 1982 and sample surveys on the birth rate. Some provinces have done their own studies.

"All these have offered very important data for population study and policy making," Peng said. "But some of the data and material are too old, and new data is needed badly."

Meanwhile, Liu Zhongde, deputy secretary-general of the State Council, called on everyone concerned to make good preparations for the survey.

Baby Boomers Pose Strain on Family Planning
OW2006215788 Beijing XINHUA in English
0626 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — China's family planning policy is facing a severe test as the 360 million people born during the baby boom from 1962 to 1975 begin to enter marriage age.

The target to keep the country's population to 1.2 billion by the end of the century will require "painsaking effort," Peng Peiyun, minister in charge of the State Family Planning Commission said in an interview with "PEOPLE'S DAILY".

The policy limits couples to having one child although allows rural couples in certain cases to have a second child and permits even greater flexibility with ethnic minorities.

Peng said the birth rate, which has averaged between 11 to 14 per 1,000 people, is not likely to begin to drop until after 1995.

It is estimated, she said, a quicker drop in the birth rate will occur after 1998 and thus make it possible for the country to achieve a population growth rate of 10 per 1,000.

She noted China's birth rate already is lower than most developing countries and the world as a whole.

She was encouraged that Chinese concepts of child bearing have begun to change. However, she said more education is needed.

Government To Offer Jobs to All College Graduates
OW2106093688 Beijing XINHUA in English
0612 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — The Government will offer jobs for all the 457,000 college graduates this year, the "PEOPLE'S DAILY" reported today.

The paper said a distribution blueprint of jobs has been worked out and four requirements attached to remove loopholes and ensure allocations are done smoothly:

- All universities and work units needing graduates must abide by the distribution plan without either side altering it at will.
- Graduates are encouraged to work at places which lack technical personnel and where they can use their specialities to the fullest.
- Personnel officials are prohibited from abusing their power to offer favored jobs to their children or relatives.
- Departments are prevented from refusing girl graduates without cause or reason.

The newspaper said graduates remain in demand in many parts of the country, especially at small and medium sized enterprises and grass-roots units in remote and mountainous areas.

Secondary School Report Reveals Pressures
OW2106022388 Beijing XINHUA in English
0140 GMT 21 Jun 88

[Text] Beijing, June 21 (XINHUA) — Fierce competition and the limited number of schools of higher learning have made students in Chinese secondary schools overburdened with homework and routine training assigned by their teachers.

Only about 5 percent of secondary school graduates can be admitted by universities and colleges and this state of affairs will continue for some considerable time in China, "CHINA DAILY" today quoted an investigative report as saying.

Facing the competition, the secondary schools have to do everything they can to raise the proportion of graduates entering schools of higher learning, and many of their practices have run counter to the country's educational policy, the report said.

The report by an investigation group co-sponsored by the State Education Commission and the Education, Science, Culture and Public Health Committee under the National People's Congress criticized schools which focus their teaching program only on subjects to be tested in college entrance examinations.

Other important aspects of education, such as ethics, physical training, arts and labor, have been ignored or even cancelled, the report said, adding this explains why universities and colleges often find that many of their freshmen have a narrow scope of knowledge and some cannot even manage their everyday lives without their parents' help.

In addition, students preparing for the college entrance examination live under great pressure which can greatly harm their mental and physical health.

"It is winter vacation now and the Spring Festival is coming, but we have no free time," wrote a group of students in Jiangxi Province to the local newspaper, "We don't feel like eating the good food our parents prepare for us. We can do nothing but think of our exams."

Good teachers and equipment are devoted to the few promising students while most are neglected, injuring their self-esteem and blunting their enthusiasm to learn.

As a result, many have left school because they cannot catch up with the others.

Some schools grant graduation certificates to certain students a year ahead of the normal date so that they will not be taken into account when calculating the proportion of the number of students entering institutions of higher learning — a dominant criterion to evaluate secondary schools' work and academic level.

This poses a threat to the state's 9-year compulsory education system, the purpose of which is to raise the intellectual quality of the whole nation, the report said.

Besides, children who leave school ahead of time have placed a great burden on both families and the public. In some provinces, 60 to 70 percent of the juvenile delinquents in prison are school dropouts.

The report called on leaders at various levels to help schools develop in the direction of the state's educational policy which aims at providing students with all-round education.

"They should not set quotas for schools nor should they reward or punish teachers or schools on the strength of the proportion of students going up to higher learning institutions," it said.

Technical schools should take a much greater share so that those who have failed the college entrance examinations can receive job training.

The report also called for a reform in the national entrance examination system, saying that the number of subjects tested should be reduced and students' accumulated performance records should be taken into account when admitting college students.

At the same time, the report said, television teaching and correspondence universities as well as other means of adult education should be expanded to enroll more secondary school graduates.

First Test Flight Hero Named, Awarded Medal
HK2106061088 Beijing ZHONGGUO XINWEN SHE
in Chinese 1241 GMT 10 Jun 88

[Text] Beijing, 10 Jun (ZHONGGUO XINWEN SHE)—A ceremony for naming Huang Bingxin [7806 3521 2450] China's Air Force number one test flight hero was held in Beijing today.

PLA Air Force commander Wang Hai read an order issued by Chairman of the Central Military Commission awarding Huang Bingxin with the honorable title of test flight hero and conferred on him a first-grade hero medal and a honorable certificate.

Huang Bingxin has put 16 types of interceptors and trainers through more than 2,000 trial flights, including China's most advanced high-speed and high altitude fighters. He is chief test pilot and commander of China's most advanced interceptors.

In April of this year Huang Bingxin went to Britain to study at British Imperial Test Flight School and International Test Flight School and tried new test flights. British instructors gave him a thumbs up.

PLA To Adjust Ranks for Noncombat Officers
OW2006215588 Beijing XINHUA in English
0620 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — The People's Liberation Army will institute a civilian post system to enable non-combat personnel such as musicians, teachers, doctors, and technicians, to continue service after the normal retirement age by forfeiting their military ranks.

The system is designed to maintain a professional backbone in the Army yet reduce the number of military officers and lower the age of officers, the "LIBERATION ARMY DAILY" said today.

China's non-combat personnel differ from foreign counterparts in that they come from in-service officers and still retain their military status.

They are a component part of the state cadres, an important force in building the Army, and enjoy the same status as in-service officers with the same pay and benefits.

Non-combat personnel in most foreign armies earn more than those doing the same jobs in civilian units, but less than in-service officers.

Li Tieying Visits PLA Medical University
HK2106011788 Guangzhou Guangdong Provincial Service in Mandarin 1030 GMT 20 Jun 88

[Text] Comrade Li Tieying, member of the CPC Central Committee Political Bureau, state councillor, and chairman of the State Education Commission, inspected the No 1 Military Medical University in Guangzhou on the morning of 18 June. He was accompanied by Guangdong Vice Governor Lu Zhonghe.

In recent years this university has given full scope to its strong points in knowledge and technique and persevered in developing and improving itself. It has laid a very good material foundation for training talented people and speeded up its own modernization, thus forming a benign cycle in teaching, medicine, and research and breaking away from the tradition of depending on the state to allocate teaching funds.

More Exploitable Oil Fields in Zhujiang Estuary
HK2106062088 Beijing ZHONGGUO XINWEN SHE in Chinese 0236 GMT 11 Jun 88

[Report: "Five or Six Oil Fields in the Zhujiang Estuary Basin Will Be Exploited in the Next Few Years"]

[Text] Guangzhou, 11 Jun (ZHONGGUO XINWEN SHE)—The Zhujiang estuary basin will become one of China's important oil producing bases. It has been hoped that five or six oil fields in this estuary basin will be exploited in the next few years and that a number of oil fields will go into operation beginning from 1990. An annual capacity of 5 million tons of crude oil will take shape by 1995.

Chen Sizhong, chief geologist of the Eastern Nanhai Oil Corporation, revealed this information to our reporter in Shekou several days ago.

Since its establishment in 1983, the Eastern Nanhai Oil Corporation, which is responsible for oil exploration and exploitation in the Zhujiang estuary basin, has cooperated with 27 oil companies from 9 countries in exploring oil resources in this basin. They have discovered 16 oil-bearing structures, including the Liuhua 11-1 oil

field, a large oil field discovered early last year with a geological deposit of 100 million tons, and the newly discovered Huizhou 26-1 oil field.

Statistics show that the successful rates of oil and structural prospecting in the Zhujiang estuary basin are over 30 percent. Among the five or six oil fields to be exploited in the next few years are the Huizhou 21-1 oil field, exploited under Sino-U.S. cooperation; the Xikou 24-3 oil field, also under Sino-U.S. cooperation; the Lufeng 13-1 oil field, jointly undertaken by China and Japan; and the Liuhua 11-1 oil field, exploited under cooperation with the U.S. Armco.

Chen Sizhong said: Prospecting results are still low in the Zhujiang estuary basin. There are over 200 types of oil-bearing structures in the eastern Nanhai sea zone alone, but only one fourth of them have been prospected. The oil source bed in this estuary basin is over 200m thick, and mature oil source zones cover some 50,000 square km. This estuary basin is rich in crude oil resources, and its geological features are similar to those of important oil-bearing basins in Southeast Asia where large oil fields of high commercial value have been discovered. The zone for oil prospecting is very large.

Chen Sizhong said: The third round of bidding will start in September this year. Many foreign oil companies have bought some reference material, some foreign companies are quite optimistic about oil exploitation in the eastern sea zone of the Zhujiang estuary basin in Nan Hai, and some of the foreign oil companies carrying out oil exploration in the sea zone have expressed their intention to submit their tenders.

Urban Bank Savings Decrease by 2.3 Billion Yuan
HK2106061188 Beijing JINGJI RIBAO in Chinese 2 Jun 88 p 1

[Report by Yin Ke (1438 0344): "Growth Rate of Bank Savings in Towns and Cities Across the Country in April Decreased by Nearly 2.3 Billion Yuan as Compared With the Same Period Last Year"]

[Text] For years, bank savings in cities and towns have been on the rise until this year, when the momentum began to wane. Bank savings in towns and cities across the country in April increased by 48 million yuan only, dropped by 2.29 billion yuan as compared with the same period last year. That was the lowest level in the volume of savings increase on a monthly basis since 1984.

It is learned that the growth rate of bank savings in towns and cities across the country this year has markedly dropped as compared with the same period last year. The cutback was 700 million yuan in January this year, 730 million yuan in February, 610 million yuan in March, and 2.29 billion in April, which was at the lowest level.

Worthy of note is the fact that the volume of bank savings of peasant households across the country dropped by 1.14 billion yuan, as compared with the same period last year. As a result, there has been a reverse trend in the recovery of paper money across the country, with the income in cash from savings being lower than withdrawals.

Relevant experts believe that the chief causes for the above-mentioned conditions are: the issuance of large quantities of financial bonds all at the same time, which has resulted in the "moving" of bank savings; continuous price hikes which encourage depositors to change from saving their money in the banks for commodity purchases to holding cash in hand while awaiting purchases or rushing for goods; and the increase in peasants' production input resulting from price hikes in agricultural production materials.

Steel Production Up in First 5 Months
HK2006151388 Beijing CEI Database in English
20 Jun 88

[Text] Beijing (CEI)—China produced 25.05 million tons of steel and 23.65 million tons of pig iron in the first five months of this year, according to statistics released recently by the Ministry of Metallurgy.

This represents an increase of 10.7 percent and 8.25 percent respectively as compared with the same period last year.

Meanwhile, rolled steel production registered 19.7 million tons. Products in short supply have increased over the same period last year: sheet metal by 26.32 percent, strip steel by 18.57 percent, silicon slice steel and seamless steel tubes by more than 7 percent.

Experts here commented that in spite of their considerable increase in the first five months of this year, rolled steel products will not be able to meet the demand in the near future because of limited production capacity.

Current National Economic Imbalance Discussed
HK2006130888 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 23, 6 Jun 88 pp 15-16

[Article by Li Yining (0632 0110 1337): "Understanding Unstable Factors in China's Present Economy"]

[Text] Public Ownership Enterprises Must Be Set Up
 [subhead]

China's present economy is under an imbalanced economic structure. What is an imbalanced economic structure? There are mainly four characteristics in this structure: First, enterprises still are not independent economic bodies carrying out independent management and assuming sole responsibility for their losses and profits. To a large extent, enterprises are subsidiaries of administrative departments. Second, the market is

imperfect. The Chinese market was already imperfect in the past, and New China did not pay attention to market development after its founding. Therefore the market was congenitally weak. Third, price information is distorted. Because the market is imperfect, quick access to price information is impossible, and prices cannot play a positive role in regulating supply and demand. Fourth, commodities and certain resources are in short supply.

Government activities are not optimized. There are three characteristics: 1) The government does not and cannot gain full information; 2) government policymaking is limited and has for long been lacking democratic and scientific features; 3) and government policies are frequently offset by the countermeasures of enterprises and individuals. The government is only one but enterprises and individuals are innumerable. Innumerable enterprises and individuals are keeping a watch over the government but the government cannot fix its eyes on every enterprise and individual. In such cases, any enterprise or individual may possibly have countermeasures against government policies. In other words, "you have your measures, I have my countermeasures." Thus government policies are generally counteracted. Under such circumstances, government activities cannot be optimized.

Therefore the formulation of policies should proceed from enterprise reform, which also means ownership reform. The purpose of ownership reform is to set up new public ownership enterprises. When enterprises have become independent economic bodies carrying out independent management and assuming sole responsibility for their losses and profits, a market will be gradually formed and allowed to set prices. Some people have suggested instituting price reform ahead of other reforms, because they do not understand China's actual situation, do not understand that China's economy is under an imbalanced economic structure, do not understand that access to price information is difficult, do not understand that China is lacking a perfect market, and, in particular, do not understand that enterprises are still subsidiaries of administrative departments. Those who have suggested instituting price reform ahead of other reforms think that government activities are optimized. They think that so long as the government works out a price pattern according to economic calculations, the entire economy will operate after this pattern. This is overestimating the government role. This will only cause economic confusion and lead economic structural reform to failure.

Only by Deepening Enterprise Reform Can We Stabilize the Economy and Stimulate Economic Growth [subhead]

There are unstable factors in China's present economy. We held a discussion on this issue and are of the opinion that there are three unstable factors. The first unstable factor is excessive price increases. Why have prices risen so fast? The cause lies in supply and demand. Viewed

from last year's situation, short supply constituted the main aspect of the cause. Price increases from last year to this year have been due to the increase in production costs. Why have production costs increased? Because supply has fallen short of demand. Excessive demand is another cause of rising prices. For example, the scale of investment has been too large. This did not start last year but a very long time ago. The consumption fund has also witnessed an excessive increase for years. But why is it that price rises have become prominent since last year? There must be another cause apart from the excessive increase in demand. This is the shortage of supply, which has led to an increase in production costs.

The second unstable factor is an excessive financial deficit, the main cause being the bad economic results of enterprises. Because enterprises' economic results are not good, the increase in revenues has been very slow. The deterioration of financial deficits has aggravated price rises.

The third unstable factor is the adverse balance of international payments. Through years of efforts, China has reduced its foreign trade deficit, but imports are still larger than exports. The seriousness of the problem lies in this: If this situation is allowed to continue after the 1990's, there will possibly be an international payments crisis because the huge amount of foreign debts is due for repayment with interest.

Thus it can be seen that these excessive price rises and large financial and international payments deficits have added to the burden on China's economy. What should we do? Some people say demand should be reduced. We say reducing demand is not a fundamental way to resolve this problem. I believe Premier Li Peng's remarks in his Government Work Report are correct. He said: Reducing demand and increasing supply should proceed simultaneously, we should start with these two aspects in resolving our current problems. I am personally of the opinion that emphasis should be laid on increasing supply. How should we increase supply? Efforts should be made in the following three aspects:

—Adjusting the industrial structure. China's industrial structure is disharmonious. Disharmony in the industrial structure has made it difficult to increase supply.

—Reorganizing production factors. The combination of production factors at present is not optimized. When it is impossible to increase the total amount of production factors, the only method to increase supply is to form a better combination of production factors.

—Bringing into play the initiative of people in different fields, including the initiative of enterprises, localities, and laborers.

What methods can be used to put the above three points into effect? A major method is to deepen enterprise reform, because only by doing so can we adjust the

industrial structure, reorganize production factors, and give play to the initiative of people in different fields. With the improvement of enterprises' economic results, revenues will turn for the better and the initiative of people in different fields will be brought into play. In such cases, enterprises will be able to increase their production, income, and profits; on the part of individuals, they can display their initiative, enthusiasm, and creativeness. All this will ensure the expansion of exports.

In our opinion, therefore, the policy of double reduction, that is, financial and monetary reduction, will only serve as a short-term, makeshift, and emergency measure. A method to stabilize the economy is to trot out all our old measures, including planned distribution, administrative orders, and administrative intervention. Will this pull China's economy back to the old road? Some reduction may be introduced, but no excess is allowed. For example, the investment in capital construction cannot be reduced to nil; matters should be dealt with according to the order of their urgency. The consumption problem should be handled according to its actual state; we should not rush to reduce the consumption fund indiscriminately at the mention its expansion. As a matter of fact, what must be reduced is extravagant spending in the consumption of social groups. With a per capita income of \$200 to \$300, how can ordinary people in China enjoy high consumption? How can there be premature consumption? People who urge the implementation of a reduction policy on the pretext of stopping premature or high consumption do understand the national conditions at all. Extravagant spending in the consumption of social groups must be reduced, but it will not do to reduce the consumption fund used to encourage laborers in their work or used to compensate for the increase in their expenditures.

Only by deepening reforms can the economy be stabilized; reforms should not come after economic stabilization. These are two different ways of thinking and, as a matter of fact, portray the degree of one's understanding of the national conditions.

Improvement in Enterprise Management Urged OW2006182688 Beijing XINHUA in English 0649 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — Participants attending a forum sponsored by the newspaper "PEOPLE'S DAILY" have urged Chinese enterprises to improve their management, saying that this is "one of the most urgent tasks in the overall enterprise reform effort."

The paper today carried excerpts of their speeches with an editor's note which said that many of the reform's achievements have been offset by backward management.

Yu Rong, general manager of Beijing's Dongfeng Market, one of the city's largest department stores, said that it is common in Chinese commercial businesses to emphasize profits but neglect management.

The biggest problem in commercial enterprises is the lack of funds, but that is compounded, Yu said, by inefficient management.

Wang Jisheng, director of the Beijing wrist-watch factory, described the major problem in his factory, which lost 10 million yuan last year, as overstaffing and lax management.

Of the factory's 3,200 employees, only 1,000 are directly involved in production, and bonuses, due to overuse, have lost their significance in boosting workers' enthusiasm, he said.

Chen Yuntang, who works in a Beijing factory producing internal-combustion engines, expressed agreement. "It is true that China's technology and equipment are somewhat outdated," he said, "but management is even more so."

"The work of three people is being done by five," he said. His factory, which produces 150,000 gasoline engines annually, has 1,200 assembly workers, 600 more than the total staff in a U.S. company with the same output.

There are difficulties that stand in the way of improving management. Sheng Rijun, deputy director of the Beijing No 1 Machine Tool Plant, said that government reorganization and streamlining brought about the establishment of a small clique of material supply companies.

These companies wield a great deal of power and have been alleged to be trying to manipulate and in some cases blackmail enterprises, not to mention interfering in their day to day business, he said.

Those attending the forum agreed that it is important to educate employees if management is to be improved.

"The key lies in the quality of employees," said Qian Xiuzhen, manager of the Beijing Xinxin Garment Company. Qian once noticed two well-dressed doormen at the gate of a grand hotel where she stayed chatting in a very "rough and indecent" manner.

Thanks to the training provided to the workers in her company which places a strong emphasis on service, "Our profits during the first quarter of this year increased 20 percent over the same period last year."

The participants also hold that the government should delegate more power to enterprises in making their decisions. "All the government has to do is to make sure that competent enterprise directors are elected; offer accurate statistical information; enact flexible policies and serve enterprises wholeheartedly.

State Enterprise Leasing Regulations Issued
OW1706121388 Beijing XINHUA Domestic Service
in Chinese 2357 GMT 13 Jun 88

[Text] Beijing, 13 Jun (XINHUA) — Interim Regulations on Leasing Small State-Run Industrial Enterprises

Chapter I. General Provisions

Article 1. These regulations have been formulated to improve the method of leasing enterprises, strengthen their vitality, and raise their economic efficiency.

Article 2. These regulations apply to small state-run industrial enterprises (hereafter referred to as enterprises).

The criteria for classifying enterprises will be based on relevant state provisions.

Article 3. Leasing is defined by these regulations as separating the ownership of small state-run industrial enterprises from managerial authority under the condition that ownership by the whole people remains unchanged. A state-run unit, with authorization, can be the lessor and can lease an enterprise to the lessee to manage for a period of time. The lessee will pay the lessor rent and operate the enterprise independently according to the contract.

Article 4. In carrying out the leasing system, it is imperative to take into account the interests of the state, the enterprise, the lessee, and the workers.

Article 5. Both the lessee and the lessor must follow government policies, laws, and regulations and accept supervision from government offices.

Chapter II. Lessor and Lessee

Article 6. With state authorization, the local People's Government where the enterprise is located may entrust a department to act as the lessor in exercising the enterprise's leasing right on behalf of the state.

Article 7. According to the provisions of these regulations, the lessee is the party that leases an enterprise.

The lessee may adopt the following forms of leasing an enterprise:

1. An enterprise may be leased to an individual (hereafter referred to as individual leasing);

2. An enterprise may be leased to a group of two to five (hereafter referred to as partnership leasing);

3. An enterprise may be leased to its entire workers and staff (hereafter referred to as leasing by the entire workers and staff);

4. An enterprise may be leased to another enterprise (hereafter referred to as enterprise leasing);

5. Other forms of leasing permitted by the state.

Article 8. The leasing term may run from 3 to 5 years, but during the contract, the lessee may not lease the enterprise to another party.

Article 9. The manager of a leased enterprise refers to an individual running the enterprise under lease; to the plant director selected as a result of partnership leasing or leasing by the entire workers and staff of an enterprise; or to the plant director dispatched by a leased enterprise. The manager of a leased enterprise is the lawful representative of the enterprise during the leasing contract and assumes full responsibility of the enterprise in his capacity as plant director.

Article 10. The manager of a leased enterprise must have qualifications prescribed by state stipulations.

Article 11. The lessee must provide the following guarantees:

1. An individual lessee must provide a guarantee with his personal property (part of which must be a proportionate amount of cash) proportionate to the assets of the enterprise to be leased; deposit his cash in a bank account; and secure at least two guarantors who have an appropriate amount of property to finance the guarantee;

2. Members of a partnership leasing or leasing by the entire workers and staff of an enterprise must provide a guarantee with their personal property (part of which must be a proportionate amount of cash) proportionate to the assets of the enterprise to be leased and deposit their cash in a bank;

3. The lessee must provide a guarantee with a certain amount of reserve funds proportionate to the assets of the enterprise to be leased and deposit this amount in a bank. Once the money is deposited, withdrawal is not allowed. With the approval of the lessor, it can be withdrawn for use as working cash.

The specific ratio between guarantee property and the assets of an enterprise to be leased mentioned above shall be determined in light of actual conditions by the local People's Governments where the lessor is located.

Chapter III. Lease Bidding

Article 12. Before leasing an enterprise, the lessor must cooperate with departments concerned to take an inventory of the fixed assets of the enterprise; to settle claims and debts; to appraise its assets (including fixed assets and invisible assets); and to set the minimum ceiling for bids in accordance with the kind of trade and the profit rate of the enterprise.

Article 13. The following steps can be taken by the lessor to select the lessee:

1. Publicizing a notice for bids, registering applications for bids, and selecting a bidder by checking his qualifications;

2. Organizing bidders to inspect factories and asking them to write a program for running the factory to be leased;

3. Organizing bidders to publicize answers, carefully evaluating them, and seeking the opinions of staff and workers congresses in deciding who will win the bid.

Article 14. When cadres or staff and workers of an enterprise or state institution take part in bidding to lease an enterprise according to state regulations, the enterprise or institution to which the bidders belong should permit them to do so and should support the bidders who win the bid in assuming duties at the newly leased enterprise.

Article 15. After selecting the lessee, the lessor and the lessee must conclude a leasing contract and register the change of legal status according to state stipulations.

Article 16. Upon the expiration of the term of the leasing contract, if the lessor agrees to the lessee's request to continue leasing the enterprise, the lessor must conclude a new contract and register the change of legal status according to state stipulations.

The lessor and the lessee must explicitly decide 6 months before the contract expires whether the leasing is to be continued.

Chapter IV. Leasing Contracts

Article 17. Leasing contracts shall be made out in written form by the lessor and the lessee, and both parties must uphold the principles of voluntariness, equality, and consultation.

A leasing contract concluded in accordance with these regulations has legal binding force.

Article 18. The following provisions should be included in a leasing contract:

1. The objective of the bid;

2. The term of the leasing contract and the conditions for it to take effect;
3. The general financial target of the leasing contract and the yearly financial target during the term of the contract;
4. The amount of rent, its payment schedule, and the method of calculating rent;
5. The income of the lessee and the distribution of enterprise profits;
6. The settling of claims and debts and the handling of financial deficits before the leasing of an enterprise;
7. The rights and obligations of both the lessor and the lessee;
8. The forms and requirements of guarantees;
9. Changing and canceling contracts and the method of handling contract disputes;
10. Liabilities for breach of contract;
11. Return and acceptance of assets upon expiration of a leasing contract;
12. Other provisions agreed upon by both the lessor and the lessee.

Article 19. Neither the lessor nor the lessee is allowed to change or cancel the leasing contract unless agreed to through prior consultation.

Article 20. The leasing contract may be changed or canceled if it cannot be implemented because of one of the following conditions:

1. Compelling external causes or other unavoidable external causes created without fault of any of the parties;
2. Failure to fulfill the financial target set in the contract because of mismanagement by the lessee;
3. Breach of contract by one of the parties;
4. Emergence of conditions for changing or canceling the contract as stipulated in the leasing contract.

Article 21. If one of the parties to the contract requests to change or cancel the contract, the party must submit a written notice to the other party. The contract remains in force until a written agreement is concluded by both parties.

A party to the leasing contract, after receiving a written notice from the other party requesting to change or cancel the contract, should make a written reply within 15 days upon receipt of the notice. Failure to make a reply after the 15-day period will be construed as tacit consent.

Article 22. Disputes between the two parties to the lease contract should be settled through consultations. If the consultations are unsuccessful, an application may be filed with the industrial and commercial administrative department for mediation or arbitration in accordance with the terms of the contract. Either party to the lease contract not willing to accept the arbitration decision of the arbitration organ may, within 10 days after receiving notification of the arbitration decision, apply to the arbitration organ at the next higher level for reexamination. The decision made by the arbitration organ at the next higher level should be the final ruling. In the absence of an application for reexamination within the prescribed period, the arbitration decision with legal binding force should be the final ruling.

Either party to the lease contract may file suit directly with the People's Court based on the terms of the contract.

Chapter V. Rights and Obligations

Article 23. Rights of the lessor are:

1. To supervise the lessee in abiding by state principles, policies, laws, and regulations and in fulfilling the planned task assigned by the state;
2. To oversee that the property of the leased enterprise is not damaged; and
3. To receive the rent paid by the lessee in accordance with the terms of the contract.

Article 24. Obligations of the lessor are:

1. To protect, in accordance with the terms of the contract, the operational decisionmaking power on the part of the lessee and to preserve, according to law, the preferential treatment enjoyed by the enterprise prior to the lease;
2. To provide services as necessary for the leased enterprise to develop production; and
3. To coordinate with departments concerned in helping the leased enterprise to solve difficulties in operations at the request of the lessee.

Article 25. Rights of the lessee are:

1. To enjoy the rights of a plant director stipulated by the state;

2. To appoint and dismiss administrative deputies at the plant level and report such appointments and dismissals to the department concerned for the record;
3. To determine the number of nonproductive personnel of the enterprise; and
4. To adjust the orientation of enterprise operations in line with market demand and to make registration changes as stipulated by the state.

Article 26. Obligations of the lessee are:

1. To fulfill the duties of plant director stipulated by the state;
2. To carry out the price policy and safeguard the interests of customers and consumers;
3. To safeguard the legitimate rights and interests of staff and workers;
4. To preserve the assets of the enterprise operating under lease, guarantee the good condition of its equipment, and handle the insurance of enterprise property; and
5. To pay rent on schedule.

Article 27. The manager of the leased enterprise, as the representative of the lessee, should enjoy and fulfill the rights and obligations stated in Articles 25 and 26 respectively.

Chapter VI. Distribution of Revenue and Handling of Financial Claims and Debts

Article 28. The lessor may give all or part of the rent paid by the lessee to the enterprise for use in developing production and technological upgrading according to its work of technological transformation or for use in paying off enterprise debts before it was leased and in making up for losses carried over by the enterprise.

Article 29. Profits earned by the leased enterprise should, after the payment of tax according to law, be divided into four parts; namely, the revenue of the lessor (including rent), the enterprise fund for development of production, the collective welfare fund for staff and workers, and the bonus fund for staff and workers, at the ratio stipulated in the contract.

Article 30. The leased enterprise may, within the framework of the fixed total wage, decide on its own internal distribution system, form, and method and pay tax according to law.

Article 31. Creditor's rights, liabilities, and losses of an enterprise before it is leased out are to be handled according to the lease contract.

Chapter VII. Income of Lessee

Article 32. Beginning from the date when the lease contract goes into effect, wages, bonuses, and advance living allowance are not to be issued to lessee members of partnership leasing. The income of the lessee and members of partnership leasing may be computed annually according to Article 33 of these regulations, or it may be computed when the lease ends.

The original wages of the lessee and members of partnership leasing, and the readjusted wages they should receive according to established regulations during the period of the lease are to be kept on file and are to be used as reference for deciding their wages after the lease ends.

The wage income of those involved in leasing by all the workers and staff members and the income derived from enterprise leasing are to be decided by both parties of the lease.

Article 33. In principle, the income of the lessee of an enterprise is not to be more than five times that of the average wages (including bonuses) of the workers of the enterprise. The income of other members of partnership leasing should be lower than that of the primary lessee.

The portion of the average monthly personal income of the lessee that is in excess of the amount of personal income that is subject to regulatory tax is taxable.

Article 34. After the deduction of rent and expenses actually given to the lessee, the remaining portion, if available, of the income earned by the lessee according to the percentage specified in the lease should be kept as a security deposit against possible losses of the enterprise.

Article 35. When a lease is cancelled, the lessor and departments concerned should jointly examine the business results of the lessee. The lessee, based on the leased enterprises' economic performance and with the agreement of the workers congress, should draw from the enterprise's security deposit an amount 1 to 5 times that of the lessee's guarantee money for the lessee if the latter has fulfilled the specified overall economic targets for the enterprise and has paid rent as required by the lease. If the lessee has failed to fulfill the specified overall economic targets or has not paid all rent due during the lease, it should compensate for the losses with the enterprise's security deposit and advance living allowance (or annual income of members of the leasing). The guarantee properties provided by the lessee and guarantors may also be used for this purpose if necessary. After a guarantor has used his or her guarantee properties for compensation, he or she has the right to ask the lessee for payment for the properties.

Article 36. Money given by an individual lessee to compensate for a guarantor's losses should be taken out of his or her personal income, and a written agreement on this should be signed.

Chapter VIII. Supplementary Articles

Article 37. Regulations on the labor and financial management of leased enterprises are to be formulated by departments concerned of the State Council in accordance with these regulations.

Article 38. These regulations may be used as reference for the leasing of collective-owned industrial enterprises.

Article 39. Based on these regulations, the people's governments of all provinces, autonomous regions, and municipalities may formulate detailed regulations for implementation purposes.

Article 40. These regulations go into effect as of 1 July 1988.

Joint Ventures Maintain Foreign Currency Balances OW1806191788 Beijing XINHUA in English 1030 GMT 18 Jun 88

[Text] Beijing, June 18 (XINHUA) — Maintaining foreign currency balances, the key to a successful joint venture, is no longer a problem for most of Beijing's foreign-funded projects.

A recent municipal government survey showed 81 percent of the capital's 108 foreign-funded enterprises which opened for business last year were able to balance their foreign currency. These firms pulled in 570 million U.S. dollars in 1987, but only used 460 million U.S. dollars during the year.

"This has been possible because of flexible and preferential policies introduced during the past few years," said Zhang Ming, deputy director of the Beijing Municipal Economic and Trade Commission.

Zhang also said, the capital's foreign-funded enterprises enjoy special benefits including more expenditure allowances for employees, more and better work space, and tax breaks.

Some firms, like the Beijing Jeep Corporation, Ltd., a Sino-U.S. joint venture which manufactures Cherokee model jeeps that are selling well on the domestic market, are allowed to charge foreign currency for their products.

"Overall balances and compensation have also been used to ease foreign currency shortages for these enterprises," Zhang added.

The Mirixin Food Corporation, Ltd., a Sino-Japanese joint venture, sells its products on the Chinese market, and is also allowed to buy fruit in China for export.

"Foreign currency shortages are still a headache for some production enterprises because they are still in the early stages," Zhang explained.

As of the end of last year, 93 of the city's foreign-funded enterprises were involved in production, 20 were tourist facilities, and 35 were dealing in the service trades, Zhang said, but some firms are still suffering from inexperienced workers, substandard product quality, and limited exports.

Because some firms only sell their products domestically and others have to import some of their raw materials and parts, foreign currency shortages will remain a problem for some time, Zhang said.

[words indistinct] Beijing Government help [words indistinct] 60 million U.S. dollars among the capital's foreign-funded firms.

To date, the municipal government has approved 286 joint projects, with foreign currency balances worked out beforehand in some cases.

Economists Restudy Contemporary Capitalism OW2106121088 Beijing XINHUA in English 1710 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — A number of Chinese economists have begun restudying contemporary capitalism and its law of development in the hope that their work will trigger a wider discussion in China.

In an exclusive interview with XINHUA, well-known Chinese economist Tong Dalin said: "People will not be able to fully appreciate either socialism or the future of mankind unless they understand contemporary capitalism correctly."

Tong, the former vice-minister of China's State Commission for restructuring the economy, is now the secretary general of the Chinese Society for Research on Restructuring the Economic System.

Recently, he has completed a work entitled "Introduction on Contemporary Capitalist Issues", in cooperation with two other economic researchers.

The work introduces and reevaluates the characteristics of contemporary capitalism including the system of ownership, monopoly, the role of the state, poverty, the labor structure, and the transnational economy.

Tong said that contemporary capitalism is quite different from the capitalism of last century or even earlier this century.

"So we should not stick to the conclusion made by our revolutionary teachers (Marx and Lenin) who made their study in a different historical environment, but instead analyse today's capitalism and try to make a new theoretical summary of it, keeping in mind the viewpoints of our revolutionary teachers," Tong added.

As an economist, Tong Dalin has been to all the developed countries on economic study tours.

He came back with the conclusion that there is a common law for all countries to follow in developing their economy.

For instance, he said, the commodity economy which had been cast off by China previously, actually belongs to the common law and it is unnecessary to label it as 'capitalist' or 'socialist'.

"Any country, no matter what the social system, cannot develop its economy unless it follows the common economic law."

Whether China can develop its socialist economy or not, Tong stressed, depends on the correct use of the common law.

In the preface to their work, Tong and his colleagues said sophisticated science and technology and socialized mass production, the two major economic pillars in modern societies, are also superior aspects of contemporary capitalism which have developed over the past several hundred years.

The experience of capitalism's development, both successes and failures, can be used for reference, the preface said.

Tong told XINHUA : "We have raised a lot of questions in the book in order to bring about a wide discussion among scholars and experts in the country."

Paper Views New Social Insurance System
HK2106090188 *Beijing JINGJI RIBAO* in Chinese
3 Jun 88 p 3

[Article by Zhao Lukuan (6392 1462 1401) and Yang Tiren (2799 7555 0088): "Establish a New Type of Social Security System—Also Commenting on New Order of a Socialist Commodity Economy"—first paragraph in boldface as published]

[Text] There are two major defects in China's current insurance system: Insurance benefits do not balance with the average per capita national income; and the risks are highly centralized by state finance. To eliminate these defects, it will be of no avail to make an issue within the framework of the old system. The new insurance system should be a system which includes social economy, social welfare, social service, and household security based on social insurance with the state serving as the guarantor.

I. The Defects in China's Current Insurance System and the Urgency of Reform [subhead]

In a modern society, social insurance is a social system and economic system not to be ignored. China's social insurance system has been based on state insurance for a long time. It was basically designed according to the pattern of the working class striving to gain security from the bourgeoisie and the state prior to the seizing of political power. The pattern had the following two characteristics: First, to meet the needs of the struggle, the demands were relatively high; and second, the working class believed that "insurance" should be fully provided by the operator and the state because the working class was exploited and oppressed at that time. These characteristics determined the following defects in China's current insurance system:

First, the excessively high insurance benefits are not in balance with the average per capita national income.

Because of the excessively high insurance benefits, the state could only operate the insurance system for a small range of state staff and workers, while other inhabitants were only able to enjoy meager social relief. Before the reform, this dual insurance system which created a wide gap resulted in contradictions between workers and peasants and between workers of state-owned units and collective units. With the current development of diverse economic sectors, more fields are being affected by the problem. It has become an obstacle to the development of the collective and individual economies and to promoting the principle of seeking self-employment.

Because of the excessively high insurance benefits, China's state insurance system can no longer be limited to the scope of state workers. There are the following reasons: First, the system was laid down more than 30 years ago when there were very few state workers, they were young with a short length of service, and many of them were not qualified to receive pensions. As the population has increased and these workers have become old, more and more people are qualified to enjoy insurance benefits. Second, some benefits such as medical care are offered in the form of material and service rather than currency. With better health care, social living standards, and medical services, as well as increase in prices, such benefits will inevitably increase the economic burden on the state and enterprises.

The excessively high insurance benefits will also lead to unfairness and inefficiency. For example, the high sick pay and medical care will encourage people to take more sick leave and support the lazy bones. The excessively high pensions for the retired will result in some doing work and others not doing anything but receiving the same pay which will inevitably dampen the labor enthusiasm of workers at their posts.

Second, the risks are highly centralized by state finance and the responsibility, rights, and benefits are not balanced.

For a long time China has implemented the policy of undertaking responsibility for employment in cities and towns and the policy of relying on land to offer employment to peasants in the rural areas. Viewed superficially, the inhabitants will not be deprived of the ability to earn money because of no employment opportunities. According to this policy, the risk of unemployment is totally undertaken by the state which has led to serious, concealed unemployment in urban and rural areas, affected economic results, and reduced state revenue. Viewed from the current state of affairs, the employment insurance system implemented in China's cities and towns for a long time has reached an impasse. The policy of relying on land to guarantee birth, employment, old age, and illness of the peasants can no longer continue. Over the past 30 years or so the average per capita possession of land has decreased. Many localities cannot even maintain simple reproduction. Consequently, the state has had to continuously provide subsidies and relief to the peasants.

An employment insurance and land insurance system in which the risk is totally undertaken by the state constitutes the mainstay of the "iron rice bowl" and "big pot" system. It encourages a dependent mentality, obstructs the flow of labor, and dampens labor enthusiasm. To smash the "iron rice bowl" and the "big pot," it is necessary to first eliminate this harmful employment insurance system.

The current insurance system, as a macroeconomic policy, has the function of regulating demand. However, it does not have the function of regulating supply. Hence, in the current "drive" to see who can earn more, it has increased financial deficits, encouraged excessive consumption, raised labor costs, and fanned inflation from the aspects of both demand and costs. In contrast to this state insurance policy, the social insurance of the countries that practice a market economy takes the form of savings of insurance funds as well as making further investment from the savings. Therefore, it has the functions of regulating demand and employment as well as converting demand to supply and providing materials to meet demand. When general supply does not balance with general demand, this social policy can also play the macroeconomic role of an "internal stabilizer."

The defects in the current state insurance policy in which responsibility, rights, and benefits are not symmetric constitute an essential reason for the colossal waste caused in social insurance. The fact that the insured undertakes no responsibility for the accumulation of the insurance proceeds will inevitably impel the insured to spend the insurance proceeds extravagantly. Consequently, economization of the insurance proceeds will lack a microscopic basis. Even though the state, namely, the insurer, try every means to erect barriers, it will be

difficult to curb the waste. The balance of responsibility, rights, and benefits constitutes the premise for the operation of a commodity economy (in which opportunities are provided and competition is carried on an equal basis) as well as the premise for implementing the distribution principle of exchange at equal values and receiving rewards in light of the investment made in a commodity economy. To develop a commodity economy, it is essential to eliminate the insurance system in which responsibility, rights, and benefits are not symmetric and the risks are totally undertaken by the state.

In eliminating the major defects of the risks totally undertaken by state finance and the social insurance crisis caused by the excessively high benefits, it will be no use making an issue within the framework of the old system. We must introduce a major reform of the social insurance system. The pressing task at the moment is to reclassify the responsibility, rights, and benefits in social insurance of the state, enterprises, individuals, and various social organizations according to the laws governing a commodity economy and establish a social insurance system in which the state serves as the guarantor and all social forces undertake risks. Unless this new social insurance system is set up, it will be impossible to establish a new order for a commodity economy.

II. General Design for the New Social Insurance System [subhead]

Under the conditions of a commodity economy, social insurance mainly withstands the risk from the labor market. The employer—enterprise operator (enterprise) and job seeker—laborer (individual) should undertake the risk. The peasants who implement the contracted responsibility system on a household basis and the self-employed personnel in urban and rural areas who do not take part in competition in the labor market should undertake the risk by themselves because they are laborers as well as operators.

This concept is somewhat different from the state insurance concept under the system of a product economy. It should be noted that the state insurance concept was reasonable to the working class when they were exploited and oppressed before they seized political power because the state at that time represented the exploiter and oppressor who created the risks. However, it would be unreasonable for the working class, after seizing political power, to shift the responsibility onto the state which belong to the laborers and to regard it as superiority of socialism.

When the risks are shifted onto enterprises and individuals, the role of the government in the new insurance system will also change correspondingly. In a commodity economy, the duties of the government include judging competition, maintaining market order, providing public facilities required for production and exchange, and solving the problems that cannot be solved by the market. Therefore, in social insurance, the state should

be the "last part to come on the stage." In other words, on the premise of both enterprises and individuals undertaking the risks, the state should act as a guarantor. The role of a guarantor includes: First, offering legal guarantee, including enforcement of necessary compulsory insurance; and second, offering a financial guarantee, including exemption of part of income used on insurance funds, providing preferential terms to savings and investment of insurance funds, establishing public welfare facilities, and providing relief by means of financial subsidies to individuals who are indeed incapable of undertaking the risks when expenditure of insurance funds outstrips income.

All social organizations (such as the nonprofit-making, relief organizations), neighborhood organizations, and people of goodwill who are enthusiastic in giving alms have only moral responsibility rather than legal responsibility in the new social insurance system. They offer aid mainly through donating funds and carrying out social services.

Because of the low level of our economy, we cannot demand a high level of social insurance in China at present nor can we popularize it in cities and towns throughout the country. China has a fine tradition of children supporting the elderly. Undoubtedly, it will be useful to appropriately use this fine tradition to develop a new type of household insurance form to serve as a supplement to the social insurance system. This household insurance means encouraging strong young people to use their income to support the elderly. This insurance form can be maintained by reducing social insurance for the elderly and increasing income of strong young people. In the contradiction between fairness and efficiency, this is a method which stresses efficiency.

In a word, the new insurance system should be based on social insurance with the state serving as the guarantor and social economy, social welfare, social services, and household insurance as the supplement.

In this insurance system, the level of insurance is mainly determined by the ability of enterprises and individuals to undertake the risks. Compulsory insurance stipulated by the state should maintain the basic living standards of those insured. Further insurance should be provided by enterprises and individuals in light of their own financial strength. After the perfection of the market mechanism, the supplementary insurance of enterprises will be determined by supply and demand in the labor market as with wages. To let the market decide on the insurance level constitutes an effective method to control the insurance level and to seek unity of fairness and efficiency. In an economically underdeveloped country like ours which is striving for an economic take-off, compulsory insurance should be maintained at a low level so as to give full play to the role of enterprises and individuals to a greater extent.

The level of the state serving as a guarantor constitutes an essential factor determining the level of social insurance. To ensure that the guarantor role of the government is maintained at an appropriate level, it is necessary to take into account the actual situation that China is at the initial stage of socialism. Specifically speaking, we should take note of the following three points: First, define the level of compulsory insurance; second, define the "poverty line," namely, decide on the starting point of subsidy and relief; and third, define the level of public welfare facilities. The characteristic of "welfare states" in the West is the high "poverty line," that is, the high proportion of state subsidy in the insurance funds, which is heading for state insurance. However, facts have proved that even though their productive forces are relatively high, not a single "welfare state" has landed in trouble because of high state subsidies. In light of China's national conditions, the "poverty line" should be as low as possible.

East Region

Anhui Introduces County-Level Financial Contracts OW2106044988 Beijing XINHUA in English 1453 GMT 20 Jun 88

[Text] Hefei, June 20 (XINHUA) — East China's Anhui Province has achieved initial results in increasing revenues by introducing a new financial contract system over the past 3 years.

During the period, about 200 million yuan in revenue has been added in 22 out of the province's 66 counties, which have tried the new system since 1985. In addition, one third of the experimental counties don't need financial subsidies from the provincial government, according to a provincial government official.

But, before 1984, more than 50 counties needed financial subsidies from the provincial government, he said.

Under the new system, a county is just to pay a contracted amount of revenue to the state and is allowed to hold up the rest for its own development during the contracted period.

A deputy director of the office in charge of Anhui Province's economic restructuring Hong Xinzong said if a county has achieved better economic returns during the contracted period it is entitled to hold up more under the principle of "getting more from achieving more."

Under China's old financial system, a county government had to hand over all its revenue it had achieved to the state and then wait for proportions from the state for its own spending and economic development. [sentence as received]

The present experiment is aimed at invigorating county governments' enthusiasm to increase income to promote economic development in Anhui as a whole, Hong said.

Anhui, one of China's agricultural provinces, is a pioneer of the country's rural economic reform, where the contracted responsibility system that links remuneration with output was introduced several years ago.

Then, the responsibility system has been introduced to other rural areas of the country, which has proved to be effective in promotion of China's rural economic development.

As far as grain production is concerned, China harvested more than 402 million tons of grain in 1987, 70 million tons more than 1979 when China started rural economic reform.

The 22 selected experimental counties are representative in terms of their different economic and geological conditions, and their contracted payment of revenues to the state have been decided in accordance with their actual conditions.

Fengyang County not only gave up a subsidy from the provincial government of 940,000 yuan in 1984, but also increased its financial income by about 4 million yuan in the year, according to a county government official.

Hong Xinzong, deputy director of the office in charge of Anhui's economic restructuring, said, "The financial contract system has already helped better financial conditions of the experimental counties." [sentence as received]

Guangdong Firms Run by U.S. Investors Profitable OW1806230788 Beijing XINHUA in English 1404 GMT 18 Jun 88

[Text] Guangzhou, June 18 (XINHUA) — Firms being run by investors from the United States in the capital of Guangdong Province have been pulling in profits, Guangzhou's Vice Mayor Lei Yu announced today.

The Guangzhou Metal Container Packaging Company, Ltd., funded by the U.S.-based BEU [as received] Corporation, logged per worker output value of 570,000 yuan (154,000 U.S. dollars), per worker profits of 100,000 yuan (27,000 U.S. dollars) and per worker export value of 67,000 yuan (18,100 U.S. dollars) during the firm's first year of operation, to rank first among China's joint ventures.

The Guangdong Food Company, Ltd., Guangmei Foods, Ltd., United Footwear, Ltd., and a helicopter company have also scored good results.

Since 1979, U.S. investors have started up 17 joint and cooperative projects in Guangzhou worth a total contracted U.S. investment of 63.99 million U.S. dollars, with 31.05 million U.S. dollars already spent.

Many of the firms funded by the U.S. firms rely on high technology and are governed by various state preferential policies.

"Guangzhou is an ideal place for U.S. investment," said Lei, adding U.S. investors can cooperate with Guangzhou on chemical, metallurgy, machinery, energy, textile and foodstuffs projects, as well as in imports and exports.

Shandong, Liaoning To Cooperate in Development SK2106052288 Jinan DAZHONG RIBAO in Chinese 5 Jun 88 p 1

[Excerpts] The Shandong provincial government and the Liaoning provincial government reached an agreement in Shenyang on 2 June on plans to establish long-term

stable economic and technological cooperative relations. Attending the agreement signing ceremony were Liang Buting, secretary of the provincial party committee; Tan Qinglian, vice governor; Quan Shuren, secretary of the Liaoning Provincial CPC Committee; Wang Guangzhong, chairman of the provincial People's Congress Standing Committee; Li Changchun, deputy secretary of the provincial party committee and governor; Sun Qi, deputy secretary of the provincial party committee; Li Zemin, deputy secretary of the provincial party committee and concurrently secretary of the Shenyang City CPC Committee; and Wen Shizhen, vice governor. Vice Governors Tan Qinglian and Wen Shizhen signed the agreement on behalf of the Shandong and Liaoning provincial governments, respectively.

Secretary Liang Buting and the provincial inspection group for economic cooperation led by Vice Governor Tan Qinglian inspected and visited Liaoning from 29 May to 2 June, and were received warmly by leading comrades of the Liaoning provincial party committee and government. Leading comrades of the Liaoning provincial party committee and government introduced to the inspection group Liaoning's current economic development, and its political and economic structural reforms, and expressed gratitude for our province's great support and aid in economic construction. The inspection group visited the Shenyang-Dalian Highway and other key construction projects, and some enterprises. Relevant departments of our province held discussions with their counterpart departments of Liaoning, and preliminary agreement on plans to develop a number of projects was reached. Meanwhile, a forum of some veteran cadres of Shandong origin, and a news briefing on establishment of an office of the provincial government in Shenyang were held. [passage omitted]

Through earnest discussions, both sides decided to cooperate in the following nine fields: First, in the development of the export-oriented economy, they will cooperate in opening up domestic and world markets. Second, they will establish associations and cooperate according to their respective needs; carry out extensive cooperation in processing technology, spreading of products, and development of resources; and combine their advantages in both products and technology to improve economic results and enhance export ability. Third, they will develop fully the advantage of the open coastal areas of the two peninsulas to organize jointly a number of domestic and foreign projects, coordinate successfully the work of introducing investment from each other and establishing ties with foreign countries, and join the exchange and competition of the world market. Fourth, they will organize together and participate mutually in enterprise associations and groups led by manufacturers of brand-name and good-quality products. In particular, they will organize some enterprise groups which are competitive in the world market so as to facilitate the economic development of both provinces. Fifth, they will actively carry out scientific and technological cooperation and exchanges of talented people; encourage and

support the mutual transfer of scientific and technological achievements, exchange of information and contracting of projects; master, apply, and further develop imported technology according to established priorities; conduct joint scientific research; and develop new methods, materials, and products together. Sixth, they will cooperate in ocean shipping, and develop intracoastal shipping teams and wharves in their coastal cities through various measures and channels to link the south-north waterway. Seventh, they will combine their advantages in aquaculture, processing of marine products, cultivation of fruit trees, and mountain products and wild fruits to develop export-oriented commodity bases to earn foreign exchange. Eighth, on the basis that the friendly cities (prefectures) and counties of both provinces are consolidated, they will actively develop the cooperation between trades and enterprises. Government departments of both sides will strengthen organization and coordination to provide a more relaxed and favorable external environment for cooperation between enterprises. Ninth, they will continue to strengthen lateral ties in circulation and supply each other's needs in materials, funds, and commodities.

From 3 to 7 June, the inspection group of our province will continue its inspection and study in Liaoyang, Anshan, Yingkou, and Dalian.

Central-South Region

Guangdong Capital Benefits From Joint Ventures OW2106004288 Beijing XINHUA in English 1427 GMT 20 Jun 88

[Text] Guangzhou, June 20 (XINHUA) — Over the past five years, Guangzhou, capital of coastal Guangdong Province, has contracted 804 joint-venture projects which have brought in 1.32 billion U.S. dollars said Zhu Senlin, mayor of the city, in his report to the municipal People's Congress today.

Among them, more than 300 have been put into production with a total investment of 476 million U.S. dollars, and above 70 percent of them are production enterprises, Zhu added.

To facilitate foreign investment the city demarcated an economic and technological exploration zone in 1984 and 170,000 km of factory buildings, power and water supply facilities, drainage systems and roads have been built since then.

By the end of last year 57 enterprises in the zone had been put into production and earned 34.71 million U.S. dollars-worth of foreign exchange, Zhu said.

The zone will cater for sole foreign-funded enterprises and by 1990 it will cover three km and have 100 to 120 enterprises in production with a total investment of about 1.2 billion yuan, said the mayor.

The city has topped the nation in yearly increase rate of industrial output value with an average increase of 14.19 percent in the past five years, according to Zhu.

Guangzhou People's Congress Opens 20 Jun
HK2106010988 Guangzhou Guangdong Provincial Service in Mandarin 1030 GMT 20 Jun 88

[Excerpts] The First Session of the Ninth Guangzhou City People's Congress opened in the city party committee hall this morning. Ou Chu, executive chairman of the session, presided at the opening ceremony.

Mayor Zhu Senlin delivered a report on the work of the city government. Reviewing the main situation in work over the past 5 years, he pointed out that the city's economy has flourished during this period, but the weak links cannot be neglected. Under the impetus of reform and opening up, the city's economy has achieved sustained, steady, and coordinated development. Gross social output value in 1987 was 39,915 million yuan, having risen at an annual average rate of 13.63 percent during the past 5 years. The proportion of tertiary industry in the city's gross domestic product has increased from 30.43 percent to 43.7 percent. Industrial production has registered sustained growth. The average annual increase during these 5 years was 14.19 percent, which was higher than the national average. The city achieved its goal of quadrupling the 1980 figure 3 years ahead of schedule. Great development has also been recorded in communications, posts and telecommunications, rural economy, and foreign trade.

On weak links in government work, Mayor Zhu Senlin pointed out that there is duplication in government organs, the duties and responsibilities of certain departments are not defined clearly, and there exist bureaucratic phenomena such as various departments issuing their own rules, over-staffing, buck-passing, low work efficiency, and heavy involvement in routine work and little investigation at the grass roots. We must therefore change gradually the functions of the government and improve administrative efficiency.

The session held its second full gathering in the afternoon. Zhu Jitong, chairman of the city Planning Commission, reported on the draft 1988 economic and social development plan. Zhuo Chao, director of the city Financial Bureau, reported on the execution of the 1987 budget and the draft budget for 1988. [passage omitted]

Zhu Jitong said that the main tasks in the city's plan for 1988 are: to implement seriously the spirit of the 13th National Party Congress and the state's guideline on stabilizing the economy and deepening the reforms, together with the coastal economic development strategy; and to implement the city party committee and government demands on work for this year. The plan calls for a 10.5 percent increase in gross domestic product and a 9.5 percent in national income compared with last year.

Zhuo Chao said in his report that during the 5 years from 1983 to 1987, local financial expenditure totalled 5,826 million yuan, and there was a surplus of 62.67 million yuan of revenue over expenditure. The city had a balanced budget. Generally speaking, 1987 was a very good year.

Shenzhen To Build 8 Telecommunication Projects
HK2006142188 Beijing CEI Database in English 20 Jun 88

[Text] Shenzhen (CEI)—Shenzhen plans to invest 140 million yuan this year on eight major telecommunication projects.

They include a radiotelephony station system, a computer-controlled long distance telephone system, a local numerical microwave telephone system, a telephone control board in the Shangbu district, two branch telephone systems in the Tonghu and Luohu districts, a telegram project, a telecommunication project and a numerical-controlled communication project.

Completion of the eight projects in the next two years will add 1,400 long distance lines, 1,000 to 3,000 telephone sets in the rural area, 35,000 local telephone lines, and 64 automatic transit systems to the city's telecommunication facilities.

Zhuhai SEZ Increases Industrial, Farm Output
OW2006195788 Beijing XINHUA in English 0551 GMT 20 Jun 88

[Text] Beijing, June 20 (XINHUA) — The Zhuhai Special Economic Zone [SEZ] in south China's Guangdong Province had an industrial and agricultural output last year worth 1.53 billion yuan, the "GUANGMING DAILY" reported today.

The output from the zone, where foreign investors enjoy tax cuts and other preferential terms, was 62 percent higher than the year before.

The zone, which now has 500 foreign-funded enterprises, ended last year with a balance between hard currency earnings and spendings, the paper said.

Most of the 60 enterprises built during the 1986-87 period are technology-intensive and geared to the world market such as Meida Vikstic disc factory, which uses equipment imported from the United States. The factory manufactures 18 million discs a year, tops in China.

Zhuhai has also opened joint ventures in Canada, Hong Kong, Macao, Singapore, Thailand and the United States.

Henan Sets Up Central China International Company
HK2006153988 *Beijing CEI Database in English*
20 Jun 88

[Text] Beijing (CEI)—The Central China International Company (Group) directly under the Henan provincial people's government, was set up in Zhengzhou, capital of Henan Province, with the consent of the State Council and the authorized approval of the State Planning Commission, the Ministry of Foreign Economic Relations and Trade, and People's Bank of China.

It is a closely-integrated enterprise group with multiple functions. It has so far involved with about 100 foreign-funded projects, Chinese-foreign joint ventures and cooperative ventures, and it has forged economic and trade relations with more than 60 countries and regions.

Hunan Reports Problems in Coal Industry
HK2106032788 *Changsha Hunan Provincial Service in Mandarin* 2200 GMT 20 Jun 88

[Text] According to HUNAN RIBAO, a responsible comrade of the provincial Coal Industry Department has disclosed that there is a lack of reserve strength for developing the province's coal production, and this is a matter requiring attention urgently.

First, the scale of capital construction and improvement has been reduced. Although the province's investment in capital construction and improvement in the coal industry during the Seventh 5-Year Plan has not dropped by much compared with the Sixth 5-Year Plan period, there is in fact a real decline of more than half due to the increased prices of raw materials and so on. There is a sharp drop in central investment in large and medium-sized projects.

Second, extraction in the coal mines is seriously unbalanced, and the production capacity in the mines cannot be sustained. Due to economic difficulties in the mines, problems in extraction, safety, and workers' daily life have increased instead of being reduced in recent years. This is particularly the case in prefectoral and county mines.

Third, there are not enough funds for research and prospecting. Basic geological prospecting work cannot keep abreast of needs. Newly discovered reserves cannot make up for the amount being extracted, and there are not enough reserve bases.

Fourth, production can hardly be kept stable in the township and village coal mines. According to an investigation, the production capacity of these mines will decline by 5 million tons by 1990. Unless they are supported and improved, their output will show a big drop after the Seventh 5-Year Plan.

Due to the lack of reserve strength, plus the many difficulties in the coal industry, the province will hardly be able to sustain its production level of 30 million tons. Unless measures are taken as soon as possible to boost the reserve strength and vitality of coal production, the supply-demand contradiction will become still more conspicuous, and this will have a direct effect on electric power and chemical fertilizer production and the daily life of people in urban areas.

Southwest Region

Sichuan Identifies Major Foreign Investment Areas
HK2006144588 *Beijing CEI Database in English*
20 Jun 88

[Text] Chengdu (CEI)—China's most populous province of Sichuan has recently identified infrastructure construction, exploitation of mineral resources and renovation of local industrial enterprises as major areas to draw foreign investment.

According to a recent decision of the provincial government, Sichuan will intensify its efforts to draw foreign investment in infrastructure construction in agriculture, electric power, communications and raw materials industry; exploitation of non-ferrous and non-metallic mineral resources; and renovation of existing enterprises with imported foreign technology and equipment.

The province aims to make the food, electronics, machine-building, construction, building materials, silk and bast fiber textile industries as the mainstays of its industry within a short period.

Through economic and technological cooperation, the province intends to set up joint venture and contractual joint venture projects, process customer-supplied materials, carry out compensation trade, and go in for leasing, technology transfer and technical consultancy. It also welcomes foreign businessmen to set up wholly foreign-owned enterprises in the province.

Sichuan now boasts over 49,000 industrial enterprises. The fixed industrial assets of enterprises owned by the state are valued at 46 billion yuan, ranking second in China.

Sichuan's diversified industry is based on machinery, electronics, metallurgical, chemical, building materials and military enterprises.

In recent years, over 30 industrial groups producing power station equipment, heavy-duty machines, motorcycles and petro-chemical equipment have been formed. These groups, together with local aircraft manufacturing plants and satellite launching bases, provide excellent conditions for foreign investment.

With a population of over 100 million, Sichuan has a labor force of over 40 million people. There are over 60 institutions of higher learning and 405 research institutes, with 65,000 persons holding professional titles of middle level and above and more than one million natural and social scientists.

Sichuan Sets Up Publishing Industry Trading Firm
HK2006145988 Beijing CEI Database in English
20 Jun 88

[Text] Chengdu (CEI)—The Sichuan provincial branch of the China National Publishing Industry Trading Corporation (CNPITC) was inaugurated here recently.

This newly-established firm is the 25th import and export corporation in Sichuan, China's most populous province.

The Sichuan branch is the eighth provincial branch set up by the CNPITC. the other seven branches are all located in coastal provinces.

Sichuan has published over 12,000 titles, including 2,800 sold overseas, in 4.2 billion copies in the past nine years. The most popular books published by the province are those on the scenery, tourist spots, minority nationalities, and pictures of Sichuan as well as on religion and chess games.

According to an official of the branch, the new firm will import and export books, journals and other publications in Chinese and foreign languages, as well as printing equipment, materials and technology.

The company will represent local publishing firms in negotiating transactions involving copyright and cooperative projects. It will also turn out publications in both Chinese and foreign languages for overseas marketing, arrange for printing done in Hong Kong, hold book exhibitions, invest in joint ventures and cooperative projects, print books for foreign clients and provide technical service.

Tibet Builds First Meat-Processing Centers
OW2106091988 Beijing XINHUA in English
1358 GMT 20 Jun 88

[Text] Lhasa, June 20 (XINHUA) — To ensure supplies of fresh meat in its cities Tibet has built its first meat-processing centers in Nagqu, Amdo and Nyainrong Counties in the northern part of the autonomous region.

From August this year, the centers are expected to put more than 330 tons of fresh mutton and beef on the markets of Lhasa and Nagqu Cities annually.

To build the centers, the regional government invested 10 million yuan (about 2.7 million U.S. dollars). It also plans to build a slaughterhouse and a cold storage with a floor space of 1,300 sq m in Nagqu.

North Region

Hebei To Expand Foreign Cooperation
HK2006150788 Beijing CEI Database in English
20 Jun 88

[Text] Beijing (CEI)—Yue Qifeng, governor of Hebei Province, said at a press conference here this week that Hebei Province is going to expand its economic cooperation and trade with foreign countries.

The governor announced provisions of Hebei Province for the encouragement of foreign investment and the opening of the Bohai Bay economic zone, which covers the three cities of Qinhuangdao, Tangshan and Cangzhou and 12 counties.

He also listed international economic and technical cooperation projects, new technologies and products for export and programs for cooperation with foreign experts for 1988.

The governor also announced that the province is going to hold an export commodity fair, at which negotiations on economic and technical cooperation projects will be conducted, in its capital city of Shijiazhuang from September 1 to 10.

Hebei's Xing Chongzhi Visits Army Unit 5
SK2006125788 Shijiazhuang HEBEI RIBAO
in Chinese 6 Jun 88 p 1

[Excerpts] On 5 June a provincial group led by Xing Chongzhi, secretary of the provincial party committee, with Xie Feng, Yang Zejiang, Guo Zhi, Ye Liansong, Chen Yujie, Wang Zuwu, Xu Chunxing, Zhang Zhiqian, and Wang Yu as its deputy leaders, went to the area where unit No 51002 is stationed to convey cordial greetings and appreciation to the commanders and fighters who had returned triumphantly from the bloody battles in defense of the southern frontier of the motherland. [passage omitted]

A rally to convey greetings and appreciation was held in the evening. Xu Yongqing, the unit's political commissar, presided over the rally. Qian Guoliang, commander of the unit, and Xing Chongzhi, leader of the provincial group, delivered speeches. [passage omitted]

On behalf of the Hebei Provincial CPC Committee, the provincial Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, and Military District, and the people throughout the province, Xing Chongzhi extended most cordial greetings and highest respect to the heroic commanders and fighters. He said: Your brilliant military successes have added new color to the "1 August" Army flag and made the Hebei people feel honored and proud. We should mobilize the people throughout the province to learn more successfully from the PLA and the heroic commanders and fighters of unit No 51002. We should

conduct national defense education on a regular basis; enhance the sense of national defense; and create throughout the province a practice of respecting, cherishing, and learning from the PLA. Based on the existing foundation, we should continue to carry out the "double-support" work more successfully, further improve and develop urban and rural mass organizations designed to support the Army and serve the families of armymen, improve the various systems, launch activities on a regular basis to render intellectual support to the Army and give preferential treatment to families of soldiers, raise to a new level the work to build civilized units and train personnel cooperatively, and inspire the people throughout the province to plunge into the great causes of reform and economic construction with higher revolutionary spirit and labor enthusiasm.

On behalf of the provincial group, Xing Chongzhi and Ye Liansong presented gifts to the unit, and leaders of the unit presented souvenirs to the group.

Inner Mongolia Court Work Report Delivered
SK2106035788 Hohhot NEIMENGGU RIBAO
in Chinese 30 May 88 p 1

[Text] On 28 May, Yang Dalai, president of the regional Higher People's Court, delivered a court work report at the first session of the seventh regional People's Congress.

He said: Since August 1983, the courts at all levels throughout the region have persisted in dealing strict and heavy blows to criminal sabotage activities according to law. By the end of 1987, the People's Courts had handled a total of 34,490 criminal cases and sentenced 40,385 criminals, 35.9 percent of whom were sentenced to more than 5 years of fixed-term imprisonment, life imprisonment, or the death penalty (including the death penalty with a reprieve); 63.2 percent of whom were sentenced to less than 5 years of fixed-term imprisonment, held in detention, put under surveillance, or exempted from punishment; and 0.9 percent of whom were declared not guilty.

Yang Dalai said: Through several years of efforts to launch a struggle to deal blows to criminals and to carry out active work to improve public security comprehensively, our region's social order has improved remarkably. The number of criminal incidents was 9.4 percent in 1982—a period before the "struggle to deal strict blows to criminals"—and this figure declined to 4.37 percent in 1987. At present, criminal activities are still serious. The number of major cases in our region rose by 24.1 percent in 1987 compared to 1986. Major cases continued to increase remarkably during the 1st quarter of this year, an increase of 37.1 percent over the same period last year.

He said: Under the new situation of reform and opening up, civil activities became unprecedentedly active. In 1987, we completed handling 31,245 civil cases, an

increase of 5,240 cases or 20.1 percent over 1986, an increase of 12,489 cases or 66.6 percent over 1983. Over the past 5 years, the people's courts at all levels throughout the region handled a total of 121,764 civil cases. Grass-roots courts throughout the region and the people's tribunals of the court organs also guided members of the people's mediation committees to handle more than 100 civil disputes.

While touching on economic trials, Yang Dalai said: The economic-judicial work of the people's courts is an important means for this country to manage economic activities with the law. Since 1983, when the people's courts at all levels throughout the region universally established economic tribunals, they filed more and more cases every year. In 1987, 4,357 cases were handled, an increase of 14.3 percent over 1986, or 500 percent over 1983. Over the past 5 years, the people's courts at all levels throughout the region settled 13,267 economic disputes, involving a total of 740 million yuan.

He said in his report: Over the past 5 years, the courts at all levels throughout the region have done much to fulfill the tasks of implementing policies concerning judicial work in line with the relevant stipulations defined since the 3d Plenary Session of the 11th CPC Central Committee, reinvestigated 12,349 counterrevolutionary and political cases which were sentenced before the "Great Cultural Revolution," and changed the original verdicts of 3,956 cases. In addition, they reinvestigated 6,056 cases concerning persons who revolted and crossed over, Overseas Chinese compatriots and their family members, minority nationalities, and intellectuals, and changed the verdicts of 3,018 cases.

Yang Dalai said: Over the past 5 years, the people's courts at all levels throughout the region handled a total of more than 190,000 letters, received more than 460,000 visits from the people, and completed 18,414 criminal, civil, and economic appeals.

In order to further improve work efficiency and to manage people's visits and letters in line with the law, we changed the organs responsible for handling visits and letters into tribunals for handling appeals, and changed the method to handle visits and letters from using administrative means to legal means in an effort to strengthen further the work of handling people's appeals and judicial and supervisory work.

In referring to the building of court cadre ranks, Yang Dalai said: Generally speaking, the court cadre ranks throughout the region are good. They are cadres who observe discipline, perform their official duties honestly, and have fighting capacity. During the past 5 years, 922 cadres and policemen rendered meritorious services and were commended. A number of advanced collectives and units outstanding in building spiritual civilization emerged. However, quite a number of cadres and policemen violated laws and discipline and many law enforcement personnel broke the laws. During the past 5 years,

80 persons received party and administrative sanctions and 12 persons were sentenced in line with the law. Although small in number, the bad influences they created among the masses of people were great. We should continue to strengthen education on professional ethics, enforce organizational discipline strictly, and never tolerate cadres and policemen who violate law and discipline or law enforcement personnel breaking the law when the facts of their cases are ascertained.

Yang Dalai said: There are some defects in our work. We fail to delve deeply into reality to conduct investigations and study, to understand in a timely manner and analyze the new situations and problems in our judicial work, and to sum up in a timely manner and popularize new experiences. Some judicial workers fail to thoroughly study and grasp policies and the law, and particularly fail to familiarize themselves with some new laws and to apply them. It was reflected in our judicial work that the quality of handling some cases is poor and that the number and quality of the court cadre ranks are incompatible with the complicated tasks.

At the end of his report, Yang Dalai said: We are determined to take the theory of the initial stage of socialism put forward at the 13th party congress and the party's basic line as our guidance, to persist in reform and to pioneer our road of advance under the guidance of the regional party committee and the supervision of the regional People's Congress and its Standing Committee, and to strive to fulfill our region's three immediate fighting objectives and all tasks put forward by the 13th party congress.

Inner Mongolia Congress on Procuratorial Work
SK2106031888 Hohhot NEIMENGGU RIBAO
in Chinese 30 May p 1

[Text] On 2 May, entrusted by Chief Procurator Wang Linzhong, Zhang Hesong, deputy chief procurator of the People's Procuratorate, gave a report on the work of the procuratorate to the first session of the seventh regional People's Congress.

In his report, Zhang Hesong said: Over the past 5 years, our regional People's Procuratorate has displayed its functional role of "protecting the people, dealing blows to enemies, punishing criminals, and serving the four modernizations," and has made due contributions to creating a stable and united social environment, safeguarding and promoting the development of social productive forces, promoting overall reform and economic construction, and invigorating Inner Mongolia.

Zhang Hesong said: Since 1982, the procuratorates, public security departments, and courts have maintained close cooperation, fought with concerted efforts, and launched struggles rapidly to deal strict blows to serious criminal offenders. This campaign to deal blows to criminal offenders lasted for 3 years and 6 months and was concluded successfully in February 1987. During the

campaign, the procuratorial organs approved the arrests of a total of 30,464 various criminals, of whom 28,712 decided to lodge appeals. In 1987 alone, the procuratorial organs approved the arrests of 6,175 criminals, of whom 6,278 lodged appeals (including the leftover appeals of the previous year).

Over the past 5 years, the procuratorial organs have accepted and heard the cases of 46,614 criminals, who were arrested at the request of the public security organs; approved the arrests of 41,123 persons; accepted and heard 23,456 cases of appeals, involving 36,396 persons, which were turned over by the public security organs; and decided to prosecute 28,712 persons involved in 19,488 cases.

In referring to the work of dealing blows to economic offenders, he said: Over the past 5 years, the procuratorial organs throughout the region filed a total of 1,958 economic and criminal cases for investigation, arrested 1,244 persons in line with the law, and prosecuted 1,265 persons. Through handling these cases, they recovered more than 24.13 million yuan in economic losses for the state.

During the second half of 1986, the region as a whole dealt concentrated blows on banking departments and consolidated credits, and exposed and handled a total of 273 cases violating various economic laws, of which 86 cases involved a sum of more than 10,000 yuan. These cases involved a total of more than 18.17 million yuan. The procuratorial organs also pursued the criminal liabilities of 169 economic criminals in line with the law, and recovered more than 5.69 million yuan in economic losses.

Zhang Hesong said: The important responsibilities of the people's procuratorial organs are to protect the citizens' democratic rights and personal rights in line with the law and to safeguard socialist democracy and the legal system. The procuratorial organs at all levels throughout the region have further strengthened the law and discipline inspection work and have resolutely struggled against state functionaries' criminal acts. Over the past 5 years, the procuratorial organs accepted and heard 2,100 cases, filed 543 cases for investigation, and decided to take legal proceedings against 277 cases involving 359 persons. The courts declared 318 persons guilty and the conviction rate was 81.5 percent. During these 5 years, the number of cases accepted, filed, and prosecuted increased by more than 50 percent over the fifth People's Congress period. During the process of handling cases concerning law and discipline, we stressed the investigation and handling of three kinds of cases such as infringing upon citizens' democratic rights, neglecting one's duty, and major accidents caused by one's negligence which created serious losses to the state and people's lives and property. Over the past 5 years, we accepted

and heard 1,390 cases of all descriptions and filed 407 cases for investigation, accounting for 76.2 percent of the total number of cases concerning law and discipline filed for investigation.

While touching on the self-cultivation of the procuratorial ranks, Zhang Hesong said: Over the past 5 years, the procuratorial organs throughout the region have adopted a series of measures in terms of organization, politics, ideology, and operation, to further improve the political awareness and professional level of cadres and policemen. A great number of advanced collectives and people who performed their official duties honestly and justly came to the fore. Since 1985, the procuratorial departments throughout the region have appraised and commended 426 advanced collectives and civilized units and 70 advanced party and CYL branches, given collective awards of merit to 14 units, named 1,433 advanced workers and model communist party members, 140 meritorious cadres and policemen and 161 outstanding public prosecutors, and conferred honorable titles of "model workers" and "8 March red banner bearers" on 6 persons. At the same time, we strictly handled a small number of law-enforcing cadres and policemen who could not withstand the tests and violated law and disciplines, and did not tolerate or shield their shortcomings. During the past 5 years, 59 people received party and administrative sanctions and 14 people were held accountable for violating criminal laws.

At the end of his report, Zhang Hesong said: Along with the development of our country's economic and political situations and the deepening of reform, higher demands are set on procuratorial work, and the tasks we shoulder are more arduous. Under the correct leadership of the regional party committee, the supervision of the regional People's Congress and its Standing Committee, and the support of the government and departments concerned, we are determined to follow the party's basic line, adhere to the principle of "grasping construction and reform on one hand and the legal system on the other," conscientiously implement the resolutions of this congress, fully exercise our legal and supervisory functions, and comprehensively carry out all kinds of procuratorial businesses. We will strive to achieve the goal that there are laws to abide by, that laws already enacted are observed and enforced, and that violators are brought to justice. We will not fear power. We will be upright, outspoken, and honest, and will enforce laws strictly. We are determined to make new and greater contributions to safeguarding the sanctity of the law, promoting the development of productive forces, and accelerating the realization of our region's socialist modernization drive and the three immediate fighting objectives.

Northeast Region

Heilongjiang KMT Committee Meeting Ends
SK2106051888 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 20 Jun 88

[Text] After 4 days in session, the sixth congress of the Heilongjiang provincial committee of the Revolutionary Committee of the Chinese Kuomintang [KMT] ended in Harbin on 20 June.

The central tasks of the committee in the next 5 years defined at the congress are to reunify the motherland, seize the opportune moment to establish contacts with and receive the people, and contribute wisdom and strength to the grand cause of reunifying the motherland and rejuvenating China. The congress elected 41 members of the sixth provincial KMT Revolutionary Committee, and 5 delegates to the Seventh National Congress of the Chinese KMT Revolutionary Committee. The congress unanimously elected Wang Zhaozhi honorary chairman of the provincial KMT Revolutionary Committee and Huang Dexin and Li Tiebing honorary vice chairmen of the committee.

On the afternoon of 20 June, the sixth provincial committee of the Chinese KMT Revolutionary Committee elected the first plenary session. The session elected (Peng Xiongjian) chairman of the committee and (Zheng Dufu), (Deng Xiancheng), (Lu Ze), and (Feng Xianhuan) vice chairmen of the committee.

Jilin Establishes Qianguo-Fuya Economic Zone
SK2006124188 Changchun Jilin Provincial Service
in Mandarin 0930 GMT 19 Jun 88

[Text] Recently, the provincial government decided to build an economic development zone in Baicheng Prefecture's Qianguo County and Fuyu City. The western part of the province is rich in petroleum resources and enjoys exceptional advantages for developing the petrochemical industry.

In order to accelerate the exploitation of petroleum resources in the western part of the province, build the second petrochemical base, and promote the economic development of the province as a whole, particularly the western part of the province, the provincial government has decided to build Baicheng Prefecture's Qianguo County and Fuyu City into an economic development zone and has established the Qianguo-Fuyu Economic Development and Construction Office. Under the jurisdiction of the provincial government, the Qianguo-Fuyu Economic Development and Construction Office is administered by the Baicheng Prefectural Administration Office on a commission basis. The major tasks of this office are: organizing and drawing up economic development and construction plans, studying and formulating relevant policies on construction of the economic development zone, and organizing and coordinating the economic development and construction work.

Shouldering a historical mission, the 10-odd comrades, who were the first batch assigned to the construction office of the Qianguo-Fuyu Economic Development Zone, marched to Qianguo County on 13 June to begin their intense work.

Northwest Region

600 Uygurs Demonstrate in Xinjiang Capital
HK2106082088 Hong Kong AFP in English 0755 GMT
21 Jun 88

[By Patrick Lescot]

[Text] Beijing, June 21 (AFP)—Some 600 people, apparently Chinese Moslems, shouting slogans and raising clenched fists demonstrated on June 15 in remote northwestern China, eyewitnesses said here Tuesday.

The demonstration in Urumqi, capital of the Xinjiang Autonomous Region, lasted for more than three hours with the marchers, who appeared to be Uygurs, brandishing a large banner, said the witnesses, Western travellers who had arrived here from the area.

They said the banner carried a lengthy inscription in Arabic script which they could not read and they had not discovered the reason for the protest.

Contacted by telephone from Beijing, a spokesman for the Xinjiang government, Liu Yusheng, refused to confirm or deny the report of the protest.

The Uygurs, of Turkic origin, are the largest Moslem minority in Xinjiang, which borders Mongolia and the Soviet republic of Kazakhstan.

"There were few police around the demonstrators," said one of the witnesses.

"I was in a bus that passed near the demonstration around four o'clock in the afternoon in the centre of the town. Three hours later, at seven o'clock, I came out of a park in Urumqi and I saw the demonstrators again, coming back up the same street in the opposite direction," he said.

"Most of them were middle-aged men. When I tried to take a picture, a young man stepped in front of me and let me know in Uighur not to take a shot," he said.

Xinjiang, formerly Chinese Turkestan, was created as an autonomous region in 1955 for the six million Uygurs who live there and practice the Islamic faith. But they are now outnumbered by nine million other inhabitants, including other minority Moslem groups.

On January 2, 1986, between 2,000 and 3,000 Moslem students from six Urumqi universities staged a noisy demonstration in the regional capital to demand a halt to Chinese nuclear testing in Xinjiang and more regional autonomy.

The students were following the lead of several hundred counterparts in Beijing and Shanghai who had marched the preceding month against nuclear tests.

The question of minority groups in China has been particularly sensitive since anti-Chinese riots in October and March in Tibet. News of Tibetan unrest was closely followed by Uygurs, according to Western reporters who recently visited the region.

Urumqi, some 2,500 kilometers (1,500 miles) from Beijing, has a population of more than one million people. Most are Hans, the predominant Chinese ethnic group.

Since the Cultural Revolution (1966-1976) there have been at least two anti-Chinese riots in Kashgar, the fabled market city along the legendary Silk Road which runs through Xinjiang. They occurred in 1980 and 1981.

No official account of deaths or injuries in either incident has been published.

Some resentment against Hans persists among the Uygurs, whose persecutions from fanatical Red Guards during the Cultural Revolution included burnings of the Koran and forced eating of pork.

Xinjiang Meeting Aids Problems in Science Work
HK2106041588 Urumqi Xinjiang Regional Service
in Mandarin 0000 GMT 21 Jun 88

[Excerpts] A Xinjiang regional conference on science and technology work concluded in Urumqi yesterday afternoon, after 6 days in session. The participants seriously studied and discussed the spirit of the national science and technology work conference. [passage omitted]

The participants pointed out in the course of panel discussions: At present many leaders in the party and government and in economic and business circles in the region lack a sense of science and technology and have not truly assigned science and technology work its proper important status. Reforms of the science and technology structure do not yet match reforms in the economic structure, and are proceeding only slowly. Spending on science and technology is declining each year. As a result, the strategic policy decision that science and technology should invigorate the economy cannot be properly implemented. The representatives hoped that, through this conference, practical problems in reforming the science and technology system can be genuinely resolved and that the relations between science and technology on the one hand and society and the economy on the other can be smoothed out. The party leaders at all levels should change their concepts, establish a sense of science and technology, and increase spending on science and technology, to enable it to play its overall function in invigorating the region's economy.

Song Hanliang, Tomur Dawamat, and Janabil, leaders of the party and government in the region, visited the participants. Comrade Song Hanliang made an important speech on developing new products, invigorating new industries, and speeding up the region's economic construction. Comrade Janabil spoke on deepening reforms in the science and technology system.

Journal Examines Farmers' Protest Issue
HK1706131588 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 23, 6 Jun 88 p 19

[Article by Chen Bing (7115 0393): "A Comment on the '20 May' Incident in Taiwan"]

[Text] On 20 May, more than 2,000 farmers in Taiwan staged a demonstration in front of the "Legislative Yuan," and clashed violently with Taiwan authorities. Over 200 people were injured, and more than 100 were arrested in the incident. This was the most serious clash between the police and civilians during the past 40 years in Taiwan. This was also the first large incident in which blood was shed since the lifting of martial law on the island.

The Taiwan authorities attributed this clash to a small number of illegal elements who had incited peasants to make trouble. They called the masses who were involved in the activities of lodging protests ruffians, trying to portray a movement of farmers as a riot of ruffians. They threatened to punish severely "according to law" the masses who took the lead in lodging protests. However, they turned a blind eye to the violence used by the police against the masses. They expressed no regret over the matter. I think that the attitude adopted by the Taiwan authorities toward the masses and this mass movement is neither just nor fair.

First, one thing should be made clear: Who forced the farmers to go out onto streets again and again to lodge their protests? Just as many men of insight in Taiwan have said in recent years, if the views of Taiwan farmers were even slightly respected by the authorities, and their immediate interests were no longer severely harmed, those kind-hearted farmers would never lay down their hoes, and leave their farm land and homes to go to Taipei to stage a demonstration at the risk of their lives. Actually, Taiwan farmers have always resigned themselves to adversity, and are satisfied easily. Over the past 40 years, they have never staged a demonstration to lodge their protests openly. They endured quietly various kinds of sufferings and hardships brought about by the policy of the Taiwan authorities of "developing industry and commerce at the expense of agriculture." The reason for the protest is simple: They want to survive. Now, Taiwan farmers are eventually compelled to shout their cries, and to go out onto the streets to organize their protests. This does not mean that Taiwan peasants have become tricky but rather that the Taiwan authorities have completely neglected their interests, and bitterly disappointed them.

Actually, Taiwan farmers have organized four protests successively since last year, including a protest held by more than 1,000 fruit growers on 8 December last year, two peasants' protests held on 16 March and 20 April, respectively, this year, and the recent "20 May" incident. Although these activities became increasingly acute and large scale, the aim was clear and simple. Farmers wanted the authorities to stop implementing the policy

of harming agriculture. They asked the authorities to compensate the farmers properly for their losses over the past 40 years or so. There was not the slightest intention to "riot." However, the Taiwan authorities have turned a deaf ear to the farmers' demands. They have always refused to contact and discuss matters with peasants seriously and sincerely, let alone being determined to make a proper review of their agricultural policy. When farmers were disappointed again and again, and had no further recourse, they had to rely on their own efforts to seek relief. It can be said that the "20 May" incident was actually caused by the perfunctory attitude of the Taiwan authorities toward the voice and action of farmers. While reviewing the lesson drawn from this incident, the Taiwan authorities must not conceal their faults and gloss over their wrongs, or lay the entire blame on others. They should, first of all, seek the cause in themselves, and resolve to correct their mistakes.

Furthermore, it should be pointed out that the fundamental reason why Taiwan farmers go out to the streets to stage a large-scale demonstration is that the distribution of wealth in Taiwan society is completely unequal. Farmers are indignant at this. Over the past several decades, they made great sacrifices to develop Taiwan's economy. Now Taiwan's economy has developed, but peasants' conditions have worsened. In 1972, the price per 1,000 jin of paddy was more than NT [new Taiwan] \$10,000. At that time, the daily wage was about NT\$100 or so. Now the daily wage has increased to NT\$500, but the price of paddy has dropped to NT\$7,000 to NT\$8,000 per 1,000 jin. Instead of being benefited by economic development, farmers have to bear the evil consequences resulting from exports and economic development. Farmland pollution, agriculture becoming the victim of foreign trade talks, the aging of rural labor force, high wage and production costs due to the low grain price policy, the high prices of fertilizer, agricultural machinery, farm chemicals, hindrance to the export of agricultural products, endless middleman's exploitation, and so on have given rise to a situation where "there is no spring, but always a bitterly cold winter in Taiwan's agriculture."

The Taiwan authorities have only paid lip service to "improving farmers' welfare." As far as practical action is concerned, "we only hear the click of boots, without seeing someone descending the staircase." They have deposited abroad foreign exchange reserves totaling \$76 billion or so without caring too much about the revaluation of the Taiwan dollar, and the devaluation of the greenback. This has caused a loss of NT\$300 billion or so to Taiwan. They care nothing about the loss of the party-operated, or government-operated undertakings due to poor management. The loss is as high as hundreds of millions of NT dollars. Every year, the Taiwan authorities are generous enough to vainly spend a lot of money on "purchasing U.S. goods in accordance with the government policy." However, they square accounts in every detail when they spend a small amount of money with an aim of guaranteeing the purchase amount and

price of paddy, reducing the price of chemical fertilizer, fully implementing farmers' health protection programs, shortening the production and marketing process of agricultural products, and so on, although all these items are truly beneficial to farmers. They use fine-sounding phrases, but are slow to present satisfactory methods and measures. What is worse is that the Taiwan authorities have even gone so far as to add frost to snow. Under the pretext of economic liberalization and internationalization, they are further sacrificing the interests of Taiwan farmers to alleviate the high-handed protectionist measures taken by the United States. They have continuously and fully opened up Taiwan's market to foreign agricultural products. Under such circumstances, Taiwan farmers are compelled to lower the prices of whatever they have planted. Whatever they have bred, they cannot avoid losing their original capital. Farmers go out to the streets to stage their demonstrations in order to survive. Such indignant protests have nothing to do with riots by ruffians. Therefore, the Taiwan authorities have no grounds whatsoever to deny the just and reasonable protest of farmers because of the extremist actions of a small number of people. It is completely groundless for them to suppress the farmer's movement because of the struggle between various political forces.

It is true that on the island of Taiwan today, any incident tends to involve the struggle between various KMT [Kuomintang] factions, and the struggle between the KMT and the opposition parties. Some people with ulterior motives will make use of these incidents. However, all these must not be used as a pretext for negating the nature of the "20 May" farmers' movement. All these must not be used to silence the indignant protests and suppress the just demand of the 4.2 million agricultural workers in Taiwan. We hope that the government and public figures in Taiwan will stick to the principle of "differentiating the farmer's movement from political struggle," and set political struggle aside. They should seriously show concern for the conditions of farmers, and truly devise some methods for providing a way out for Taiwan's agriculture so that the broad masses of farmers in Taiwan will have a chance for survival. This will also create a more stable social environment in Taiwan. This is the most important problem involving the bloody "20 May" incident, which has called for deep thought.

LIAOWANG Urges Establishing Trade Relations
HK2106073188 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 23, 6 Jun 88 pp 21-22

[Article by Jin Wen (6855 2429): "Good Opportunity for Developing Trade and Economic Relations Between the Two Sides of the Strait"]

[Text] Abstract: The world economy is going through a period of change and each nation is readjusting its industry mix and trade policy. This situation has provided an opportunity for normal and in-depth development of the trade and economic relations between the two sides of the strait.

Taiwan's economy is facing a breakthrough in its "bottleneck," and has readjusted its trade policy, which is characterized by the change from a one-directional "export expansion" to all-directional foreign trade, and implemented the policy of "equal stress on both import and export, and cultivating diversified trade markets." Whereas the mainland has implemented the policy of reform and opening to the outside world, and the strategy to develop coastal export-oriented areas. Both sides have "their own advantages" in economic development, and a link has taken shape for the two sides to further develop their trade and economic relations.

Changes in the nature of a turning point have surfaced in the trade and economic relations between the two sides along with some abnormal phenomena. For the development of trade and economic relations in a healthy and normal direction, it is proposed that:

- Trade and economic ties be established on the basis of "mutual benefits";
- Indirect trade and economic relations be changed into direct ones;
- Trade and economic relations with multiple levels and channels be unfolded;
- The two sides should actively create conditions, with the Taiwan authorities lifting the ban on direct trade, and allowing businessmen to make investments and open factories on the mainland as soon as possible. Meanwhile, the mainland should do its best to improve its investment climate, and complete and perfect various decrees and regulations on investment and trade. [end abstract]

At present, new changes and development have taken place in the economic situation in the world as well as the Asia-Pacific region. This has encouraged both the mainland and Taiwan to readjust their economic policies and industry mix, based on the principle of comparing interests, thus bringing new chances and favorable conditions to the development of the trade and economic relations between the two sides of the strait.

Taiwan's Economy Is Facing a Breakthrough in Its "Bottleneck" [subhead]

The rapid development of Japan's economy and the gradual weakening of the U.S. economy have meant new changes in the economic patterns of the West and the Asia-Pacific region. To save itself from its economic decline, and to face the challenges of Japan and other new-rising Asian nations or regions, the United States basically has to readjust its policies. Domestically, it has accelerated the improvement of its industry mix, and adopted tough trade protectionism overseas. Regarding the "four small tigers of Asia," the United States will change its usual practice of giving priority to their protection. For example, beginning in 1989, it will

abolish the "General Preferential System" regarding the four small tigers, while requiring them to "open their markets in the opposite direction," following in the steps of Japan. The unfavorable trade balance between the United States and Japan has become increasingly serious with each passing day. Therefore, the restrictions on Taiwan will be the strictest—aside from building a higher trade protection wall, it has forced the appreciation of the Taiwan currency against the dollar; hence, the overall Taiwan dollar appreciation against the yen and the mark. Over the past few years, the appreciation of the Taiwan currency against the dollar has been around 45 percent, while Taiwan's exports have greatly suffered. Many medium and small enterprises can no longer support such rises, and many factories have reached an impasse as a result of high production costs. Therefore, Taiwan urgently needs to find a way out for its trade and capital market, especially in the area of labor-intensive industry, to break through the "bottleneck" holding up further economic development.

Taiwan—Laying Equal Stress on Both Import and Export, and Cultivating Diversified Trade Markets; The Mainland—Implementing the Strategy To Develop Coastal Export-Oriented Areas [subhead]

To break through the "bottleneck" holding up further economic development, Taiwan has readjusted its trade policy since 1987, which is characterized by the change from a one-directional "export expansion" to an all-directional foreign trade, namely, implementing the policy of "equal stress on both import and export," and cultivating diversified trade markets, by actively opening other markets in the world other than the United States. At the same time, Taiwan has formulated a policy of strengthening its overseas investments. On the one hand, it has actively encouraged large nongovernment-run enterprises and publicly owned enterprises to invest in hi-tech industry in the United States. On the other, it has adopted such measures as establishing an "overseas development fund" to support medium and small enterprises in transferring labor-intensive industries to developing nations, which are characterized by their low labor cost. Mainland China is vast in territory and rich in natural resources, with great market potential and ample and cheap labor. It is separated from Taiwan only by the strait, and the people on both sides speak the same language. The mainland is an ideal trade and investment market for Taiwan's industrial and commercial circles. More important is the fact that the mainland has implemented the policy of reform and opening to the outside world, and the strategy to develop coastal export-oriented areas. The mainland itself has considerable demand for labor-intensive industries with practical technology or the export of its products, providing a great attraction to Taiwan. Each side has "its own requirements" for economic development. Such requirements have shaped into a link to further develop their trade and economic relations as well as a motive force.

Considering the angle of the interreaction of the policies of the both sides, the Taiwan Authorities have conducted

a series of policy readjustments, pushed forward by the series of political and economic reforms in the mainland and its advocacy of "the establishment of transport, trade, and postal relations." In 1984, the Taiwan authorities established a general economic policy characterized by "liberalization, internationalization, and institutionalization." Since the 3d Plenary Session of the 12th KMT Central Committee, the Taiwan authorities have lifted many bans and restrictions; for example, lifting the ban on visiting relatives on the mainland, and relaxing control over foreign exchange, thus creating a rather sound atmosphere and conditions for further developing the trade and economic relations between the two sides of the strait. Now Taiwan's assets in foreign exchange total \$75 billion, the unfavorable U.S.-Taiwan trade balance continues to be high, and there is a continuous pressure for appreciation of the Taiwan dollar, while calls from its industrial and commercial circles for development of direct trade and economic relations with the mainland are growing stronger with each passing day. All these are favorable to encouraging the Taiwan authorities to further relax their policy on trade and economic relations with the mainland.

Changes in the Nature of a Turning Point Have Surfaced in the Trade and Economic Relations Between the Two Sides of the Strait [subhead]

Toward the end of the 1970s, the sons of the Chinese nation on the two sides, whose ties had been severed for nearly 4 decades, reestablished indirect ties in trade and economic relations. Since the beginning of the 1980s, such ties have grown closer. Between 1978 and 1980, the trade and economic relations between the two sides of the strait were at the initial stage. The volume of entrepot trade via Hong Kong in this period was \$440 million, an annual average of \$104.8 million. Trade and economic relations between the two sides of the strait developed between 1981 and 1983, and the volume of entrepot trade via Hong Kong in this period went up to \$1.03 billion, an annual average of \$343 million, up by 2.3 times from the previous period. Since the beginning of 1984, the trade and economic relations between the two sides of the strait have made still greater development, with the surfacing of some changes in "the nature of a turning point."

Such changes take on the following characteristics: 1) Volume of entrepot trade via Hong Kong has increased by a wide margin. In 1984, the \$500 million mark was broken through for the first time in history. In 1985, the volume was over \$1 billion, and in 1986 it exceeded \$1.5 billion. In 4 years, the total was \$4.136 billion, with an annual average of \$1.34 billion, up by seven times and three times, respectively, from the previous two periods. 2) Aside from entrepot trade, cooperation in various forms including indirect investments, processing with imported raw materials, and technological cooperation began to emerge. And 3) trade and economic relations have gradually changed from secret and "illegitimate" ties to semiopen and semilegitimate ones.

Abnormal Phenomena Existing in the Trade and Economic Relations Between the Two Sides [subhead]

However, some abnormal phenomena exist in the development of trade and economic relations between the two sides of the strait. They find expression in the following aspects: 1) The ties between them still take the form of entrepot trade, while the proportions of direct investments and other forms are still insignificant. Between 1978 and 1987, the accumulated volume of entrepot trade via Hong Kong was more than \$5.6 billion, while the investment volume of Taiwan businessmen was only several scores of million dollars, and the number of enterprises involved was around 100. 2) Imbalance in the development of trade. Taiwan has had a favorable trade balance since 1980 in consecutive years, and the volume involved has become increasingly larger. 3) Those involved in trade and economic relations with the mainland have been mostly large and medium enterprises, while the medium and small enterprises have not benefited. And 4) the trend has not developed steadily. The level of mainland imports of Taiwan products has fluctuated. In the years 1979, 1980, 1984, and 1985, the increase rate of imports from Taiwan exceeded 100 percent.

Supplementing Each Other, Cooperation, and Common Development [subhead]

In view of the conditions mentioned above, here the author would like to make a few tentative suggestions aimed at helping the trade and economic relations between the two sides of the strait to develop in a healthy and normal direction:

Trade and economic relations between the two sides of the strait should be conducted on the basis of "mutual benefit." Only on such a basis, and the condition that it actively promotes the economic relations between the two sides will it be possible for the trade and economic relations between the two sides to healthily and steadily develop. Because of the differences in geographical environment and developmental phases between the two sides, economic relations characterized by mutual supplement and interdependence exist in many aspects including natural resources and markets, qualified people, capital, and technology. So long as the two sides handle affairs based on the objective law governing economy, a situation in which the two sides "supplement and cooperate with each other, and share common development" will certainly be realized. For example, in the area of trade, the two sides should supply each other's needs in commodities, with one side supplying what the other needs; namely, Taiwan may supply the mainland with machinery equipment as well as semifinished raw materials, while the mainland may provide Taiwan with such industrial and agricultural products as oil, coal, and cotton and other products. The two sides should put economic results above all else, and reduce political intervention in such ties. At present, the Taiwan authorities have not yet adopted wide-ranging opening measures for staple mainland imports. This has made it very difficult for the mainland to change its unfavorable

trade balance, nor is such a condition favorable to Taiwan. Just as some famous Taiwan economists have stated: "We are looking for raw materials everywhere, but we are not allowed to purchase some good-quality, low-cost special products from the mainland, not to speak of the economy in transportation." This is shutting one's eyes to economic results, while violating the law governing economy.

Change Indirect Trade and Economic Relations Into Direct Ones [subhead]

Since Taiwan lifted the ban on visiting relatives on the mainland, the development of the trade and economic relations between the two sides has been stepped up in a "transitional period" characterized by changes from an indirect, to a direct status, from a single, to dual directions, from a semiopen and semilegitimate, to an open and legitimate way. At present, most of the industrial and commercial circles, academic and opinion circles, as well as people's representatives are for direct trade between the two sides. They have published articles or called seminars, or made investigation visits to the mainland to actively push forward the early realization of this change.

However, some Taiwan officials have repeatedly stressed refraining from direct trade with the mainland. For example, on several occasions, a high-ranking official of Taiwan's Administrative Yuan said: "There should be no direct trade with the mainland. It will be helpful for our enterprises to conduct business through a middleman for that will be safer, and involve no risks." In fact, such a view runs counter to public opinion. Many entrepreneurs in Taiwan believe that entrepot trade gives rise to many malpractices, and it is neither favorable nor safe for them. First, it is unfavorable to them economically. The two trade parties are unable to share the profit in its entity, some of it going to the middleman. Second, disputes are liable to arise in trade. An operational executive of a Taiwan knitting machinery corporation said: "Disputes in trade between the two sides of the strait often arise from the impossibility of direct contacts between the two parties involved in a deal with the middleman starting trouble between them." And third, the inaccessibility to information, with the supply-demand condition unknown; under such circumstances, it is impossible to really supply each other's needs. Therefore, the realization of direct trade between the two sides of the strait will overcome the abovementioned shortcomings in entrepot trade; this is also an objective demand in the economic development of the two sides.

Economic and Trade Connections at Different Levels and Through Various Channels [subhead]

Taiwan's industrial and commercial enterprises consist of government-run or nongovernment-run large enterprises and medium and small enterprises. The scopes and focuses in their operation are different. At present, the mainland is

developing labor-intensive industry in its coastal areas in a big way, while at the same time some large and medium enterprises are also actively developing technology-intensive and hi-tech industry. Therefore, in the trade and economic cooperation between the two sides of the strait, Taiwan's enterprises of different scopes and types will give play to their role and benefit themselves. Both Taiwan's government-run and nongovernment-run enterprises have advantages in capital and technology; most of them are importing raw materials and exporting some industrial products. Therefore, in the trade between the two sides of the strait, they will have much to accomplish, especially in the area of running joint ventures with both the Mainland and Taiwan's investments, or running capital-intensive and technology-intensive enterprises in cooperation. Taiwan's numerous medium and small enterprises are mostly engaged in labor-intensive processing industry for export. Under the pressure of rising international trade protectionism, the continuous appreciation of the Taiwan dollar, and the escalation of industrial conversion, they are pressed to find a way out. The coastal opening zones of the mainland, and Hainan Province, an advanced special economic zone, whose people speak the same language as Taiwan, and share the same cultural background for a far lower wage, are precisely the ideal places to absorb their capital and technology. In other words, Taiwan's medium and small-type enterprises will be successful in running export-oriented labor-intensive enterprises in such forms as joint-ventures with mainland and Taiwan investment, cooperation, and processing with imported materials, samples, and carrying out compensation trade in the above-mentioned areas in the mainland. At present, when the Taiwan authorities have not yet further readjusted the policy toward trade and economic relations with the mainland, it is desirable to take the avenue of "making investment through a third nation" or "making investment through a trust company."

To Actively Create Conditions, and To Do Away With Obstructions [subhead]

To sum up, both the Mainland and Taiwan should actively create conditions, and do away with obstructions to push forward the development of the trade and economic relations between the two sides of the strait in the direction favorable to both sides. Regarding the Taiwan authorities, the most important point is to follow public opinion, to formulate a policy on trade and economic relations with the mainland as quickly as possible, to lift the ban on direct trade between the two shores and to allow industrialists and businessmen to make investments and to open factories on the mainland. Just as the famous Taiwan economists Yu Tsung-hsien [0060 1350 0341], Hou Chia-chu [0186 1367 7467], and Kao Hsi-chun [7559 1585 0971] said in their recent articles in Taiwan's UNITED DAILY NEWS, the Taiwan authorities should "make open what they have been actually doing in semiopenness; make direct what they have been doing indirectly; and turn into action what they should do, but have not yet been doing." Regarding the mainland, first it should work hard to improve its investment climate ahead of schedule,

including such infrastructure as energy resources, communications, telecommunications, postal service and industrial water supply as well as the formulation, completion, and perfection of all decrees and regulations concerning investments and trade. At present, those places in the Mainland suitable for Taiwan businessmen to invest in such as Xiamen, Zhangzhou, and Quanzhou Delta and Hainan are taking a firm grasp in work in this area. They are planning to provide an "investment climate," which is "safe, favorable, and convenient" to Taiwan businessmen. We believe that so long as the two sides work hard, the trade and economic relations, from which the compatriots on both sides of the strait "will mutually benefit," will advance while breaking through all kinds of obstruction.

Kuomintang's Political Innovations Viewed HK2106043188 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 22, 30 May 88 pp 21-22

[Article by Cai Zimin (5591 1311 3046): "'Localization' and 'Political Innovations' of the KMT Regime"]

[Text] The death of Chiang Ching-kuo marked the end of an era of dominance by the Chiang family and of power politics in Taiwan, and the appearance of Li Teng-hui on the stage started a new period of "localization" of the KMT [Kuomintang] regime and "pluralism" of the forces both in opposition and in office. Important changes are beginning to take place in the KMT power structure.

An Important Stage of "Localization" of the KMT Regime [subhead]

"Localization" has been a prominent characteristic of the KMT's political affairs since the 1970's. At the beginning of the 1970's, the KMT regime was driven out of the United Nations and the legal seat of the PRC was restored. Then, following the visit of U.S. President Nixon to China, Sino-U.S. relations took a favorable turn. Within a year, some 30 countries severed diplomatic relations with the KMT regime, causing it difficulties both at home and abroad. In 1972, Chiang Ching-kuo assumed the post of "president of the Executive Yuan," trying hard to turn the declining tide. He proposed to "protect Taiwan through innovation" and began to carry out the policy of "localization." Large numbers of Taiwan natives were promoted to important party and government posts so that the foundation of the KMT rule could be strengthened. Since the 1980's, as the PRC and the United States have established diplomatic relations, Taiwan's political situation is becoming more and more turbulent. The struggles of the Taiwanese people of various social strata against the autocratic rule of the KMT and for democracy and freedom have been developing. Under both internal and external pressures, Chiang Ching-kuo put forth a new proposition of "political innovation" at the 3d Plenary Session of the 12th KMT Central Committee in March 1986. He also decided to speed up the pace of "localization" of the KMT regime.

In the 1950's and 1960's, Taiwan natives made up only 5 to 10 percent of the KMT Central Committee. But now, of the 31 members of the Standing Committee of the KMT Central Committee, there are 14 Taiwan natives, making up 45 percent of the Standing Committee members.

In the structure of government, the "president" and "vice president" were always people from the mainland in the 1950's and 1960's. The first Taiwan native "vice president" appeared in 1976. In January this year, following the death of Chiang Ching-kuo, Li Teng-hui became the first Taiwan native "president" in Taiwan. Moreover, Taiwan natives were also appointed to the posts of president of the Court of Justice, president of the Control Yuan, vice president of the Executive Yuan, ministers of interior, communications, and justice, Taiwan provincial governor, and mayors of Taipei and Kaohsiung municipalities.

In the KMT Army, the main officers at the middle and higher levels were formerly always people from the mainland. Since the 1980's, changes have also taken place in this respect. Taiwan natives have been appointed to some important posts such as permanent minister of national defense and commander of the Taiwan Garrison Headquarters. Taiwan natives make up 16.9 percent of the KMT generals and 34.3 percent of field grade officers.

Taiwan natives have entered the top-level power organs of the KMT. But in general, the ratio between mainland and Taiwan native officials is as follows: 2 to 1 at the higher level, 1 to 1 at the medium level, and 0 to 1 at the grass-roots level (chief officials at the county and city levels). Of the high-ranking officials above vice minister level, those from the mainland make up 71.6 percent of the total, while Taiwan natives only make up 28.4 percent. From this we can see that the power center of the KMT is still in the hands of officials from the mainland.

The election of Li Teng-hui as "vice president" was originally for the sake of having some Taiwan natives appointed to important positions. It was a symbolic arrangement. But now Li Teng-hui has become "president" and acting chairman of the KMT. This is a significant breakthrough in the "localization" drive.

For the following two reasons, "localization" of the KMT regime is unavoidable.

1. Taiwan natives make up 85 percent of the 19 million people in Taiwan, 80 percent of the 2.27 million KMT members, and 90 percent of the 600,000 servicemen. Under such circumstances, the KMT is trying to win over Taiwanese people's support through "localization" so that it may strengthen the foundation of its rule and avoid criticisms from opposition parties about the KMT

being a "power from outside." Moreover, as "localization" is itself an expression of democracy, it may win the support of the United States.

2. Profound changes have taken place in Taiwan's socio-economic structure. Since the 1970's, private enterprises have become the main stream of Taiwan's economy. The proportion of the output value of officially run enterprises in the total industrial output value dropped from 56 percent in 1952 to 20 percent in 1971. Most of the private enterprises are owned by Taiwan natives. Of the 96 large enterprise groups, more than three-quarters were established with Taiwanese capital. Along with the economic development, the ranks of middle bourgeoisie have also been rapidly expanded, accounting for about one-third of the total employees, and become an important force in social development. The rising bourgeoisie and middle bourgeoisie have a strong and increasing demand for their due political power. But the current power structure of the KMT is not commensurate with the economic strength of Taiwan natives and the fact that Taiwan natives make up a large proportion of the Taiwanese population. As the Taiwan natives are demanding redistribution of power, "localization" and "democratization" of the KMT regime have become unavoidable.

It is necessary to make a historical and objective analysis of "localization" of the KMT regime. In the period under the colonial rule of Japanese imperialism, Taiwan natives were "second-class citizens" for a long time. After recovery, they continued to suffer the autocratic rule of the KMT from the mainland and continued to be in a powerless position in the political field. Naturally, they have a strong demand for political power. For these reasons, the KMT is forced to use a number of Taiwan natives and to "localize" its political power so as to satisfy certain political demands of the Taiwan natives.

Since the KMT gained dominance over Taiwan, it has bullied and oppressed the Taiwan natives for a long time and has created many contradictions among people from different provinces. Many Taiwan natives, who have been unfairly treated, are resentful of the KMT rule. On the other hand, as the KMT has severed contacts between Taiwan and the mainland and carried out anticommunist education among the people, many Taiwan natives, who cannot gain a good understanding of the mainland, are in a psychological state of fearing the Communist Party. Since they are resentful of the KMT in Taiwan and fear the Communist Party on the mainland, some special ideas have emerged among the Taiwan natives. But since there are inseparable connections between Taiwan and the mainland in geographical positions, blood relationship, and cultural traditions, the people on both sides also have some common ideas. Being a Taiwan native and being a Chinese are not in contradiction with each other. As Li Teng-hui said: "I am a Taiwan native, also a Chinese." Therefore, we must not simply put an equals sign between "localization" and Taiwan native ideas and separatism.

Although some Taiwan natives are demanding extreme "localization" and advocating "Taiwan independence," overstating the Taiwanese ideas and repelling the mainlanders, the great majority of people understand that the theory of "Taiwan independence" does not hold water. It is inapplicable in the international community and is not in keeping with the aspirations of the Taiwanese people. We believe that along with the development of relations between both sides of the strait, the idea of Taiwan independence and separatism will gradually vanish.

Continue To Carry Out "Political Innovations" [subhead]

The liberals within the KMT, Taiwan natives, big financial groups, opposition parties, and the press circles in Taiwan have all expressed support for Li Teng-hui since he became the KMT acting chairman, expecting him to continue the political innovations.

It is under both internal and external pressures that the KMT authorities are forced to carry out political innovations.

Since the 1970's, Taiwan has gradually changed from a traditional agricultural society into a capitalist industrial and commercial society. Great changes have taken place in its social class structure and ideology. Various social strata, especially the intellectuals, who have been brought up in the postwar period and have been more deeply influenced by Western politics and ideologies, the middle bourgeoisie, and the newly emerged forces outside the party, are bearing strong resentment against the autocratic rule of the KMT. The "consciousness of mass participation in political affairs" is being enhanced day by day, and the demand for reform has become a social trend. The power struggle between the KMT and the forces outside the party is becoming more and more acute. The past autocratic structure, which is characterized by martial law and highly centralized state power cannot suit the "pluralistic" development in Taiwanese society. For this reason, more and more KMT members are advocating reforms and quite a few people of liberal views are holding that the KMT will find it hard to rise to the challenge if it does not carry out reforms conforming to the trend of the times. Compelled by the situation, the KMT has started to carry out "political innovations," changing from its past repressive measures to methods of relatively relaxed control and "competition" under conditions more favorable to the KMT.

To push forward political innovations, Chiang Ching-kuo made six decisions in March last year: To remove martial law, lift party bans, "strengthen central opinion organs," legalize local autonomy, renovate party affairs, and improve social atmosphere. Last year, after removing martial law and lifting party bans, the struggle between the KMT and the forces outside the party was shifted to the question of reelecting the "central opinion organs."

Since Li Teng-hui assumed office, reelection of the "central opinion organs" has still been the most acute issue. The focus of the struggle is whether to carry out an overall reelection or just to make certain augmentations and transfers. The so-called "central opinion organs" include the "National Assembly," the "Legislative Yuan," and the "Control Yuan." They are symbols of the KMT's "legal rule" over the whole country. The first "central opinion organs" were established in 1948 on the mainland, and have never been reelected since then. They are thus called the "10,000-year old parliament." According to statistics, the average age of the existing 1,335 opinion representatives is 76.7. Of these opinion representatives, 89 are living abroad and more than 100 are confined to bed by illness and cannot exercise their functions. The average age of the members of the Legislative Yuan is 80.4, and that of the members of the Control Yuan is 81.8. They are really too old to exercise their functions. Of the "opinion representatives," 80 percent are "senior representatives" elected in 1948. The native Taiwanese representatives elected in Taiwan in the name of "augmenting" make up only 17 percent. The Democratic Progressive Party has put forth a demand for reelecting the "central opinion organs" in order to change this extremely irrational structure. But to protect its "legal rule" and the vested interests of the "senior" representatives who come from the mainland, the KMT is firmly opposed to the suggestion of all-round reelection. It has only agreed to gradually "replenish the central opinion organs" and appropriately increase the number of augmented representatives. It has thus engaged in a battle with the Democratic Progressive Party to protect its "legal rule." Now, instead of waiting for the natural elimination of the "senior representatives," Li Teng-hui has adopted some positive measures such as advising them to resign or retire with an offer of 3 million Taiwan dollars of pension. But the policy of "replenishing the central opinion organs" remains unchanged. On the other hand, the Democratic Progressive Party insists that an all-round reelection should be carried out. They held a mass rally in Taipei on 29 March and came into conflict with the police. As such struggles go on developing, the KMT will make certain tactful reforms. Whatever reforms it may carry out, the democratization of political power will be promoted, which will exert an influence on Taiwan's future political situation.

Readjust the Mainland Policy [subhead]

Since last year, departing from its usual practice of severing contacts with the mainland over the past 40 years and its "three-nos" policy, namely, no contact, no negotiation, and no compromise, the KMT has allowed Taiwanese people to visit their relatives on the mainland and given tacit consent to indirect trade with the mainland. It has also allowed some mainland publications and video tapes to be distributed in Taiwan. In this way, it is gradually readjusting its rigid and conservative mainland policy.

Changes in both internal and external situations have forced the KMT to readjust its mainland policy. The rise

of the liberals within the KMT has also provided personnel and organizational conditions for this readjustment. The KMT authorities want to change their rigid and conservative image in dealing with relations between the two sides of the strait through lifting restrictions on the nongovernmental contacts between both sides. They also want to regain the initiative in this way and to alleviate contradictions, win over the people, stabilize the internal situation, and prolong the situation in which they may rest content with retaining sovereignty over a part of the country and may refuse peaceful negotiations. The conservative faction also want to make use of the mainland force to suppress the trends of "self-determination" and "Taiwan independence" on the island. This is why the KMT has readjusted its mainland policy since last year and has lifted certain restrictions on the nongovernmental contacts between the two sides. Its basic stand is: To sue for existence by making some changes, to keep on good terms with each other but refuse negotiations, to allow exchanges but refuse reunification, and to stall for time and wait for further changes.

Over the past few months, the KMT authorities have adopted more active measures than those adopted by Chiang Ching-kuo in his later years in lifting restrictions on the contacts between the people on both sides of the strait. 1) The working cadres of the KMT are allowed to visit their mainland relatives after "reporting to the higher authorities for the record"; 2) efforts will be made to gather mainland economic and trade materials for the reference of the Taiwanese people and businessmen; 3) parents and adult children of servicemen are allowed to visit their relatives on the mainland; 4) restrictions on the import of mainland coal, cotton, tungsten, tin, and other agricultural and industrial raw materials are relaxed; 5) restrictions on exchange of mail between both sides are relaxed, and the Taiwan Red Cross Society is authorized to handle letters to the mainland; 6) preparations are being made for allowing Taiwan's overseas branch organizations to engage in direct business with mainland organizations; 7) if Taiwanese people change direct flights to the mainland from Hong Kong, it will not be regarded as an instance of "exchange of air or shipping service." To sum up, under the principle of "separation of political and economic affairs" and "separation of governmental and non-governmental affairs," the KMT authorities are gradually relaxing restrictions on the "three exchanges" and non-governmental contacts, resulting in the relaxation of relations between both sides.

At present, people of various strata in Taiwan are strongly appealing for further relaxation of restrictions in various fields, including visiting relatives, sightseeing, exchange of trade, and cultural, academic, and sports exchanges. Li Teng-hui has demanded that relevant

departments make an examination of the policy on visiting relatives. At the forthcoming 13th KMT National Congress, which will be held in July, the question of mainland policy will, for the first time, be a subject for discussion. All Chinese, both at home and abroad, are expecting the new KMT authorities to go with the tide of the situation and adopt more positive measures to realize the "three direct exchanges" between both sides.

Li Teng-hui Cited on Security, Unification
HK1606131688 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1539 GMT 8 Jun 88

[Text] Hong Kong, 8 Jun (ZHONGGUO TONGXUN SHE)—According to news from Taipei, Mr Li Teng-hui said that the future of Taiwan lies in the mainland. Li said that he is giving thought to the question of national security and unification day and night.

Li Teng-hui made these remarks yesterday while meeting with American scholars. He said that the "three no's" policy constitutes only part and not the whole of Taiwan's policy toward the mainland.

In response to the question on Taiwan independence, Li said: Although I am a Taiwanese, I do not think that Taiwan should be specially treated. In regards to history, culture, or objective conditions, there is no reason or possibility for Taiwan's independence.

Philippines Declines Computers From Taiwan
OW1806221688 Beijing XINHUA in English 1435 GMT 18 Jun 88

[Text] Manila, June 18 (XINHUA) — Philippine Immigration and Deportation Commissioner Miriam Defensor-Santiago today said she is reluctant to accept a number of computers being donated by Taiwan.

Santiago told reporters that the Taiwan authorities have attached a precondition that she should personally go to Taipei to accept the donation.

She said this precondition could create an irritant in the nation's relations with China because "it would be tantamount to actual recognition of Taiwan as a separate state."

She said China might stage a protest against any visit to Taiwan, putting her in a tight spot.

She said President Corazon Aquino has issued an executive order banning any government officials from visiting Taiwan, especially official visits.

She said accepting computer donations might be construed as an official visit.

Hong Kong

Director Ji Pengfei Discusses Recent Visit
HK2106023188 Beijing RENMIN RIBAO
in Chinese 16 Jun 88 p 4

[Dispatch by reporter Huang Jichang (7806 7139 2490): "Ji Pengfei Talks About the Future of Hong Kong and Macao"]

[Text] Guangzhou, 15 Jun (RENMIN RIBAO)—Ji Pengfei, director of the Hong Kong and Macao Affairs Office under the State Council, and his entourage have just wound up their visit to Hong Kong and Macao. They met with people from various circles during their visit. In Hong Kong, they solicited opinions among people of all walks of life on the draft version of the Basic Law. The reaction of local people was enthusiastic. During an interview with this reporter, Ji Pengfei spoke glowingly of his impressions of the 2-week tour and answered some important questions on the future of Hong Kong and Macao.

Reporter: Director Ji, you have visited Hong Kong and Macao in turn. Could you give me your impressions of the trip?

Ji: I visited Hong Kong in late 1986. So this is my second visit to the place. Through fact-finding tours and meeting with people of different circles, I gained the strong impression that on the whole Hong Kong has managed to maintain social stability and economic prosperity since the official signing of the Sino-British Joint Declaration. The development of the situation is optimistic. There are many things in Hong Kong that are up to the world's advanced standard and are worth emulation. Hong Kong's prosperity today is an achievement made by the Hong Kong people with their wisdom.

This time, I had the opportunity to pay my first visit to Macao, which made quite a fresh impression on me. The situation has been excellent in many aspects in Macao since the signing of the Sino-Portuguese Joint Declaration. The Chinese Government's policy toward Macao, and also toward Hong Kong, will not be changed. We are going to materialize the idea of "one country two systems." Macao's current social system will remain unchanged for 50 years, and a "Basic Law" conforming with the reality of Macao will be formulated to provide a legal guarantee of the commitment. The prospects for Macao are quite bright.

Reporter: But there are some people, both in Hong Kong and Macao, wondering whether the principle of "one country, two systems" and the promise that the current system will "remain unchanged for 50 years" are just expedient policies.

Ji: The principle of "one country two systems" and the maintenance of prosperity and stability in Hong Kong constitute an important guideline in the whole development strategy of China. In publicizing to the world the commitment that "the existing system will be allowed to remain unchanged for 50 years," the Chinese Government was not making irresponsible remarks but a solemn decision. When putting forth this idea, China had considered not only its national conditions but also the circumstances in Hong Kong and Macao.

Now some experts in international affairs are studying the relations between capitalism and socialism. They hold that the two systems have some antagonistic aspects on the one hand and, on the other, it is possible for them to coexist. Such relations between the two systems characterized by coexistence and competition will be maintained for a rather long period. Viewed against such a macroscopic historical background, it will be more obvious that the commitment that the existing systems in Hong Kong and Macao "will remain unchanged for 50 years" is a natural development.

Some people are afraid that the promise will come to nothing. As far as this is concerned, I think everybody can rest assured. A "Basic Law" is now being formulated. Our purpose in doing so is to implement the principle of "one country two systems," observe the commitment that the existing system will "remain unchanged for 50 years," and fix this principle and this commitment in the form of law. Also, the very purpose of our recent visit to Hong Kong was to seek a practical legal guarantee for the future prosperity and stability of the Hong Kong Special Administrative Region and for the Hong Kong people's well-being.

Reporter: During your recent visit to Hong Kong, you heard the opinions of people of all circles on the draft version of the Basic Law. Do you have any comment on these opinions?

Ji: When I left Beijing, I said "I will bring my ears but not my mouth along with me" during the visit. In saying this I meant that I would make the most of this opportunity to listen to the opinions of people of all circles in Hong Kong on the "draft." We were sincere in this. During our 10 days in Hong Kong, we met with members of the Basic Law Consultative Committee. Some old and new friends from various circles, attended some forums, and listened to the participants' opinions on the draft version of the Basic Law. We feel that this visit will be useful to the future revision of the Basic Law (draft).

As this is a great legislative project related to the future of hundreds of thousands of Hong Kong families, we must actively encourage Hong Kong people to air their views through various channels. We must be open-minded in face of all opinions, and we must solicit opinions from all strata and listen to opinions that are different from or even contrary to ours. There is an old saying: "It is hard to discuss things with a person holding

different principles." I think people of differing principles can still discuss things with each other. Although "a common understanding on major issues" may not be readily reached, it will still be worthwhile to seek "common ground on minor ones" first. Repeated discussions will eventually bring different standpoints closer to each other and result in a common understanding. To formulate a great law like this, we definitely have to draw on collective wisdom and absorb all useful ideas. "The Tai Shan as a huge mountain is composed of small pieces of soil, and rivers and seas can maintain their depth because they take in every small tributary." I have always reminded myself and my colleagues of the importance of great tolerance to achieving such a great cause.

As everybody knows, the present draft of the Basic Law presented to the public for discussion is merely a version for solicitation of opinions. It is subject to further revision based on opinions solicited from various circles. We have no precedent to go by in formulating the "Basic Law." This is a highly difficult task and there is still a long and arduous way to go before we can achieve it. I hope that Hong Kong people of all circles will take the overall situation into consideration, exchange views through consultations and dialogues, make compromises, and seek common ground. That has been our practice in the past few years in drafting the Basic law. If we continue our efforts in this way, I am sure that the articles of the Basic Law can be further polished up to suit the realities of Hong Kong.

Like Hong Kong people from all walks of life, I absolutely do not want to see the solicitation of opinions being carried out in a perfunctory manner. The Hong Kong public did believe that we were serious and sincere in going to Hong Kong this time to listen to the opinions of people of various circles on the draft version of the Basic Law. We are eagerly looking forward to more opinions and proposals presented by Hong Kong people on the draft version in the next few months. Members of the Basic Law Drafting Committee nominated by the mainland side will also visit Hong Kong this autumn to solicit opinions. Meanwhile, in the mainland, we are going to solicit opinions among members of the NPC and the CPPCC National Committee, and we will also hold forums in Beijing, Shanghai, Guangdong, and Fujian to solicit opinions among people there. One can be sure that a basic law which will be able to stand the test of practice and history will be available.

Here I also expect that a basic law which will suit the actual conditions in Macao will also be drawn up as a result of the common efforts by Macao people of all circles.

Reporter: What do you expect from Mainland China's economic cooperation with Hong Kong and Macao?

Ji: The mainland's economic relations with Hong Kong and Macao have been developing substantially in the past few years. Now we are further implementing the

policy of reform and opening up, developing an export oriented economy in coastal areas, and expediting the modernization program throughout the country. The mainland and Hong Kong complement and help each other in the economic field. The further development of the reform and opening up program in the motherland will serve as a strong support for prosperity and stability in Hong Kong and Macao, while the prosperity and development of Hong Kong and Macao will certainly give a great impetus to the development of the motherland. We hope that Hong Kong, Macao, and the mainland will further enhance cooperation, give full play to their own advantageous conditions, and do their own share in promoting the prosperity and development of all the three parties.

UN Commission Criticized Over SRV Refugees
HK2006073788 *Hong Kong SOUTH CHINA MORNING POST* in English 20 Jun 88

[By Terry Lee]

[Text] The office of the United Nations High Commissioner for Refugees (UNHCR) yesterday came under heavy fire from Legislative Councillor Mrs Rita Fan Hsu Lai-tai for its reluctance to foot the bill for Vietnamese boat people in detention centres under Hong Kong's new policy.

Speaking at a public forum, Mrs Fan accused the UNHCR of double standards in its treatment of Hong Kong and other Southeast Asian countries.

She alleged that the UNHCR was being unfair and was looking down on Hong Kong because it was a dependent territory and not a sovereign state.

The local UNHCR branch had said the screened-out boat people were non-refugees and it was the Hong Kong government's responsibility to take care of them.

They (the UNHCR) speak that loud here, but look at what they do in Thailand and Malaysia," Mrs Fan said, pointing out that all facilities for the Vietnamese boat people who have no prospect of resettlement were fully funded by the UNHCR.

Recently returned from an international refugee conference in Washington, Mrs Fan said Hong Kong was the only place of first asylum in the Southeast Asian region where facilities for Vietnamese boat people were not fully funded by the UNHCR.

She asked why the UNHCR offered full funding for relief facilities in Thailand and Malaysia—which are sovereign states—but not in Hong Kong.

"Because everything has to go through diplomatic channels through Britain, they (the UNHCR) know the Hong Kong Government is not going to have any strong reactions," she told the forum.

"It is unfair, it is a fact recognised. The UNHCR said it is because Hong Kong is a prosperous society, therefore Hong Kong should pay more. But we've been paying more for many years and it is about time the UNHCR treated us fairly."

Mrs Fan is the convener of the Legislative Council's ad-hoc group on Vietnamese refugees and has been campaigning for a larger share of UNHCR funding for local refugee facilities.

She is also leading councillors into blocking the Government's fund application related to relief facilities for the boat people.

Councillors are at present seeking further information from the Government to justify its \$400 million application to Legco's Finance Committee, of which only 10 percent is expected to be recovered from the UNHCR.

Mrs Fan said the UNHCR should start to pay more in Hong Kong because the boat people here were little different in status from those in other Southeast Asian countries.

During yesterday's forum, Oxfam spokesman Miss Hazel Wong criticised as inhumane the new screening policy.

"Many of the new arrivals are children and we fear that they will be deprived of the right to learn and to grow up properly," she said.

Miss Wong also questioned the ability of immigration officers to correctly screen the boat people.

She called for unconditional Western economic assistance to help Vietnam rebuild its economy.

UK Secretary Says Hong Kong Market Important
OW1906190488 Beijing XINHUA in English
1533 GMT 19 Jun 88

[Text] Hong Kong, June 19 (XINHUA) — Hong Kong is a very important market for the United Kingdom, said Lord Young, British secretary of state for trade and industry, here today.

Arriving here today for a four-day visit, Young told reporters at the airport that he had come out to have a look at commercial interests in Hong Kong and to see how Britain could actually help with the further development of Hong Kong.

British export to Hong Kong went up by about five percent in the past year, reaching more than a billion pounds (over 1.78 billion U.S. dollars) for the first time, he noted.

Young said that Britain hopes to win its share of exports round the world and look towards Hong Kong as being one of those areas where Britain would improve exports.

1987 Local Exports to Spain Increases 24 Percent
OW1906143288 Beijing XINHUA in English
1148 GMT 19 Jun 88

[Text] Hong Kong, June 19 (XINHUA) — The accession of Spain to the European Economic Community have greatly benefited Hong Kong's exports to the peninsular country, according to a research report published here recently.

In 1986, Hong Kong's domestic exports to Spain jumped by 90 percent and rose further by 24 percent to 1,608 million H.K. dollars (206 million U.S. dollars) in 1987, and up 16 percent in the first quarter of 1988.

The report issued by the Hong Kong Trade Development Council said that since Spain joined the EEC in the early 1986, the country gradually reduced import duties and began to exercise the EEC's common customs tariffs and its generalized system of preferences (GSP). It also began to remove quota restrictions on watches and radios and other products.

All these measures have helped enhance Spain's prospects as a market for Hong Kong, the report said.

Unlike most other European countries, exports to Spain are not concentrated on clothing. Instead, watches and clocks, electronic products, and toys and games, that are in the low to medium-priced range, are Hong Kong's most important export to the country it said.

On continuing an 84 percent increase in 1986, the exports of watches and clocks grew by 30 percent to 436 million H.K. dollars (55.9 million U.S. dollars) in 1987, much encouraged by the reduction in import tariffs and the abolition of global quotas, the report said.

In addition, Hong Kong's re-exports to Spain leaped by 91 percent to 468 million H.K. dollars (60 million U.S. dollars) in 1987, after a 143 percent jump a year ago.

Trade Increase With Australia, New Zealand Urged
OW1706224788 Beijing XINHUA in English
1421 GMT 17 Jun 88

[Text] Hong Kong, June 17 (XINHUA) — Hong Kong businessmen are urged to take more aggressive steps to expand the markets of Australia and New Zealand while the two countries are loosening import controls.

Australia has recently reduced tariffs to lessen protection and develop a manufacturing industry capable of competing in world markets, said Ian Lin, national president of Hong Kong Australia Business Association, at a business seminar held here Thursday.

It has taken up a policy of firmly promoting an export-oriented manufacturing infrastructure with emphasis on value-added products and innovative product development, Lin said.

With the decrease in duties and the phasing out of import quotas, more Hong Kong companies may now find many new opportunities exist for exports, he said.

Lin also advised Hong Kong companies to import from Australia designs, ideas, and intellectual property for processing in Hong Kong and re-export to world markets.

At the seminar, Jeff Sunderland, president of Hong Kong-New Zealand Business Association, also urged Hong Kong firms to look into New Zealand's market potential.

The New Zealand Government has cut the duty on imported goods drastically and planned to dismantle the import licence by 1990.

Therefore, he encouraged local companies to take advantage of such changes and seek more partners in New Zealand.

He also said that New Zealand's closer economic relationship with Australia also provides Hong Kong partners with opportunities for wider co-operation.

Talks Continue on Mainland Truck Transit
OW1806024288 Beijing XINHUA in English
0048 GMT 18 Jun 88

[Text] Hong Kong, June 18 (XINHUA) — Trucks from the Chinese mainland will soon be allowed to drive into Hong Kong if final agreement on the documents required of drivers is reached.

Negotiations between Chinese and Hong Kong transport officials on the cross-border transport have involved costs, the numbers of trucks and compliance with local vehicle codes, all of which have concluded, according to a Hong Kong transport spokesman.

The spokesman said that initially 100 vehicles would be admitted in, and "each will have to comply with all of Hong Kong's road and vehicle safety regulations, and pay registration taxes, licence fees and be inspected," the spokesman said.

The outstanding matters are about immigration and passports. All drivers will be required to obtain a Hong Kong goods vehicle licence, it is reported.

Last year, 8,000 vehicles used Man Kam To daily, a rate that has expanded to 8,750 during the first five months of 1988. Levels at Shataukok were 853 in 1987 and 1,200 until May, 1988.

Local Firm Oxfam To Fund SRV Drought Programs
HK2006074588 Hong Kong SOUTH CHINA
MORNING POST in English 20 Jun 88 p 2

[By Agnes Lam]

[Text] Oxfam Hong Kong plans to fund famine relief programs in Vietnam as a first step towards seeking a long-term solution to the refugee crisis.

Oxfam administrator Chris Bale has flown to Britain where he is awaiting the outcome of an Oxfam report on the extent of famine in Vietnam.

The study, conducted by two Oxfam field workers currently in Vietnam, is expected to be completed by the end of the week.

Once the results have been studied, Mr Bale plans to fly to Vietnam by the end of the year to examine where relief money should go.

In Oxford, an Oxfam spokesman confirmed that Mr Bale had been holding talks with their headquarters and informed them of his plans to involve the Hong Kong office in funding projects.

The British Government's policy, expressed by Foreign Secretary Sir Geoffrey Howe on his visit to Hong Kong early this month, is to deny aid to Vietnam until it withdraws its troops from Kampuchea and starts reforming its hard-line economic policies.

Mr Bale, who is touring Britain, could not be reached for comment.

Oxfam's initiative comes at a time when famine, a severe crop and rice shortage and rampaging inflation of up to 2,000 percent are forcing Vietnamese to flee the country in the thousands.

This has resulted in a heavy influx of boat people to Hong Kong, one of the few remaining Southeast Asian territories of first asylum.

Oxfam Hong Kong would be the first local relief agency to become actively involved in Vietnam at a time when local attitudes have hardened towards refugees.

Last week, Hong Kong enforced a new screening policy where economic migrants would be separately held in detention centres without hope of resettlement. They will be forced to wait indefinitely until repatriated.

There are 16,571 refugees in Hong Kong, with 120 arriving since the new policy began last week.

Next month, the Governor, Sir David Wilson, will leave for Europe where he is almost certain to seek international support for the harsh new refugee policy.

Sir David will travel to Brussels where he is to deliver a speech to a conference on Hong Kong affairs.

Details of his trip are still being finalised and it is not known what other places he will visit.

Although Sir David is expected to touch on a number of issues, officials said he will use the opportunity to explain Hong Kong's refugee problem.

Hong Kong authorities have braced themselves for international condemnation because the new policy forces boat people into prison-like conditions.

Yesterday, the United States offered only conditional support of the new measures as long as they were implemented in a "reasonable and responsible manner".

It will be Sir David's first official visit to Europe as Governor and the first time a Hong Kong governor has been in Europe in six years.

Sir David will also stop off in London and brief Foreign Office officials on the effectiveness of the deterrent policy.

In another initiative aimed at gauging Hong Kong's overseas image, the Chief Secretary, Sir David Ford, will visit the U.S. later this year.

Although the itinerary is still to be arranged, he expects to visit Washington, Boston, New York and San Francisco.

It is likely he will press the Americans to help solve the refugee crisis and put pressure on Vietnam to stop the outward flow which has left almost 17,000 people in Hong Kong camps.

Meanwhile, British members of parliament can expect to fly into a storm of controversy when they begin a series of fact finding visits to the territory. The first MP to be grilled will be Liberal foreign affairs spokesman, Mr Russell Johnston, who arrives on Wednesday for a week's stay.

Other MPs planning to visit Hong Kong this summer include Conservative MPs, Mr Peter Thurnham, Mr Andrew Mackay and Mr Tim Yeo.

Legislative Councillors are not convinced Britain has done enough for Hong Kong to ease the refugee crisis. They want Britain to raise their intake and step up talks with Vietnam on repatriation.

Convener of the council's ad hoc panel on refugees, Mrs Rita Fan, said British MPs had a moral obligation to Hong Kong.

"We will certainly continue our effort to lobby those members of parliament because it is the British Government's responsibility to solve the refugee problem for us.

"We will stress the importance of Britain, being the sovereign state of Hong Kong, to take a lead in increasing its intake for refugees in Hong Kong so that other countries, such as the U.S., cannot refuse our requests to take refugees with the common excuse that our sovereign state is not doing enough," Mrs Fan said.

In recent years, Britain's quota has steadily declined. In 1980, Britain accepted more than 6,000 refugees.

Up to April, Britain had only accepted 44 refugees for resettlement based on strict family reunion criteria.

Councillors are expected to save their strongest rebukes for the Minister with Special Responsibility for Hong Kong, Lord Glenarthur.

They are no longer prepared to accept the British argument that offering resettlement could be a pull factor for Vietnamese thinking of leaving.

"Well, we've changed our policy to limit the number of arrivals, so Britain should be more generous in taking those who are genuine refugees," she said.

"By changing the policy, I think we have removed the standard excuse used for not increasing the intake.

"We now have a little more bargaining power with the MPs and Lord Glenarthur," she said.

Macao

Governor Melancia Reportedly To Resign
*HK2106032188 Hong Kong HONGKONG STANDARD
in English 21 Jun 88 p 1*

[By Eddie Farr in Macao]

[Text] Macao governor Carlos Melancia is expected to tender his resignation to President Mario Soares during a four-day visit to Portugal which begins on Thursday.

This follows revelations that Mr Melancia held shares in a company involved in the current investigation of the affairs of the television company Teledifusao de Macau (TdM).

COMERCIO DE MACAO, a Macau weekly which devoted a full page spread and an editorial to the matter, reported that sources close to the president say the resignation will be accepted.

Speculation about Mr Melancia's future began after one of Portugal's leading weekly newspapers EXPRESSO and COMERCIO DE MACAO both published proof that the governor was a partner in Emaudio, the Portuguese company involved in the TdM investigation.

The Macao weekly also said the Under-Secretary for Financial and Economic Affairs, Mr Galhardo Simoes, will be named acting governor until President Soares can appoint a successor.

If Mr Melancia does quit, he will have been in office less than a year. His predecessor, Joaquim Pinto Machado, resigned after 380 days.

The person widely tipped to take over as governor is General Rocha Vieira, currently Minister of the Portuguese Republic in the Azores and former Macao under-secretary in the Garcia Leandro government.

Despite widespread speculation about Mr Melancia's impending resignation, the governor's press adviser, Mr Antonio Duarte, told the STANDARD there would be "no resignation as the governor has committed no crime."

Mr Duarte also said Mr Melancia had sold his shares in Emaudio because the governor believed "public figures should not be put in a position where there is a possible conflict of interests".

Mr Duarte was not able to say when the governor sold his shares or who bought them.

When he first arrived in Macao, Mr Melancia declared he would take personal charge of TdM affairs.

Allegations that TdM equipment has been sent to Emaudio in Portugal are being investigated by Judge Jose Manuel Celeiro who is in charge of the case.

Press baron Robert Maxwell and other Emaudio partners visited separate entities.

The Macao situation is being talked so seriously in Portugal that the 14th national congress of the Social Democrats approved a proposal for a parliamentary inquiry into the enclave's administration.

The issue has commanded daily press and television coverage, all critical of the Macao administration.

Prime Minister Cavaco Sila is quoted as having declared that he was very worried about what he read about Macao but stressed: "The Portuguese government has no power over Macao."

This was an obvious reference to the fact that the president alone is responsible for Macao affairs and the selection of its governor and government.

Government officials in Macao describe the possibility of Mr Melancia resigning as "pure speculation" and "a storm in a tea cup." They say Mr Melancia has the support of China.

Non-government sources say Macao has the support of China, irrespective of who the governor is, and add that Mr Melancia's days are numbered.

The governor has made himself unpopular with locals because of what they see as nepotism and arrogance.

Mr Melancia has appointed one of his daughters to his office as a secretary, and a son-in-law, Pedro de Azevedo, to the tourist department.

Macanese have accused Mr Melancia of lacking an interest in local feelings because his forthcoming visit to Portugal means he will be absent from the territory for Thursday's Day of Macao celebrations.

Under Secretary's Resignation Accepted in Lisbon
HK1806090188 Hong Kong HONGKONG STANDARD
in English 18 Jun 88 p 3

[Text] Portugal's President Mario Soares has officially accepted the resignation of Macao Under-secretary for Administration and Justice, Mr Jose Antonio Barreiros.

A statement issued by the Government Information Bureau said Mr Barreiros would end his duties next Tuesday [21 June].

The resignation comes at a time when the Macao administration is being wracked with sackings, scandals and controversy.

Three high ranking officials have been sacked in the past two months, and police are investigating five Teledifusao de Macao employees—including Chairman Antonio Ribeiro who is still being held in prison—and five bank officials who are accused of numerous crimes.

Mr Barreiros sacked Justice Affairs director, Mr Alberto Costa, and chief technical advisor, Mr Antonio Lamego, just two days after offering his resignation on June 4.

Mr Costa announced yesterday that he was taking court action against his dismissal because, he said, it was technically incorrect.

A leading Portuguese weekly published yesterday said that a local Macanese, Mr Filipe Xavier, will replace Mr Barreiros.

**END OF
FICHE**

DATE FILMED

JUNE 22, 1988

